

\$50,000
Armstrong Public Service District
Sewer Revenue Bond Anticipation Notes, Series 2006 A
(West Virginia Water Development Authority)

Date of Closing: December 21, 2006

Index of Closing Documents

1. (a) West Virginia Water Development Authority ("WDA")
Commitment Letter
- (b) Loan Agreement
2. Executed Note Resolution enacted by the Board of the Armstrong
Public Service District ("Armstrong")
3. Minutes of Board meeting covering the reading of the Note Resolution
4. General Certificate
5. Opinion of Lynn B. Pollard, Esq., Counsel to Armstrong
6. Opinion of Jackson Kelly PLLC, Counsel to Deepwater
7. Cross Receipt
8. Specimen Note
9. Closing Memorandum
10. West Virginia Municipal Bond Commission New Issue Report Form
11. Confirmatory Deed
12. Confirmatory Bill of Sale
13. PSC Orders
14. IRS Form 8038-G and Letter of Transmittal



WEST VIRGINIA

Water Development Authority

Celebrating 31 Years of Service 1974 - 2005

March 31, 2006

Thomas Bowen, Chairman
Armstrong Public Service District
P.O. Box 156
Kimberly, WV 25118

ARMSTRONG-DEEPWATER PUBLIC SERVICE DISTRICT'S MERGER

As we discussed at our meeting on March 30, the West Virginia Water Development Authority (the "WDA") is willing to lend the Armstrong Public Service District (the "District") an amount not to exceed \$50,000 to cure the Deepwater Public Service District's revenue bond payment deficiencies so that the Public Service Commission's (the "PSC") approved merger can occur. The loan would close simultaneously with the completion of the merger. This loan may be in the form of a Bond Anticipation Note (the "Note") with a maturity date of up to three years from the date of closing. The Note will carry a 3% per annum interest rate payable quarterly. The District may convert this Note to permanent financing with the WDA or another source at any time. The permanent financing loan may be amortized over a period not to exceed ten years with an interest rate not to exceed 5% per annum.

The WDA will execute the appropriate closing documents for the Note with the District upon receipt of a final nonappealable order from the PSC authorizing the proposed borrowing and an independent accountant certificate attesting to the adequacy of the District's cash flow.

If the District has any questions concerning the terms and conditions of this Note, please call.


DANIEL B. YONKOSKY - DIRECTOR

c Samme Gee, Jackson Kelly PLLC
Deepwater Public Service District
Bill Nelson, Public Service Commission of West Virginia
Randall Lewis, E.L. Robinson Engineering

WDA-SF
(4/28/05)

LOAN AGREEMENT

THIS LOAN AGREEMENT, made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), and the governmental agency designated below (the "Governmental Agency").

ARMSTRONG PUBLIC SERVICE DISTRICT
(Governmental Agency)

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 22C, Article 1 of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered to make loans to governmental agencies for the acquisition or construction of water development projects by such governmental agencies and the refinancing of debt issued for existing water projects of a governmental agency when the refinancing is in conjunction with the financing for a new water development project regardless of the source of the financing for the new project, subject to such provisions and limitations as are contained in the Act;

WHEREAS, the Governmental Agency constitutes a governmental agency as defined by the Act;

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State of West Virginia (the "State") to acquire, construct, improve, operate and maintain a water development project, as defined by the Act, and to finance the cost of acquisition and construction of the same by borrowing money to be evidenced by revenue bonds or notes issued by the Governmental Agency;

WHEREAS, the Governmental Agency will semiannually herewith acquired the assets and assuming the outstanding bonds (the "Deepwater Bonds") of Deepwater Public Service District ("Deepwater") pursuant to a Final Order of the Public Service commission of

West Virginia (the "PSC") entered on May 23, 2005 (final June 12, 2005) in Case No. 04-1946-PSWD-PC, simultaneously with the dissolution of Deepwater on December 21, 2006, and the Governmental Agency expanded its boundaries to include the boundaries of Deepwater; and

WHEREAS, the Governmental Agency desires to borrow an amount from the Authority to cure the deficiency in the debt service reserve account of the Deepwater Bonds as permitted by an Final Order and Commission Order of the PSC entered July 10, 2006 in Case No. 0755-PSWD-PC; and

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Bond Anticipation Loan with attachments and exhibits (the "Application"), which Application is incorporated herein by this reference; and

WHEREAS, having reviewed the Application and made all findings required by Section 5 of the Act and having available sufficient funds therefor, the Authority is willing to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue notes of the Governmental Agency with money in the Supplemental Fund of the Authority, subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Authority's water development loan program (the "Program") as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Governmental Agency and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "governmental agency," "water development project," "wastewater facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.2 "Loan" means the loan to be made by the Authority to the Governmental Agency through the purchase of Local Notes, as hereinafter defined, pursuant to this Loan Agreement.

1.3 “Local Act” means the official action of the Governmental Agency required by Section 4.1 hereof, authorizing the Local Notes.

1.4 “Local Notes” means the revenue notes to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority, all in accordance with the provisions of this Loan Agreement.

1.5 “Local Statute” means the specific provisions of the Code of West Virginia, 1931, as amended, pursuant to which the Local Notes are issued.

1.6 “Operating Expenses” means the reasonable, proper and necessary costs of operation and maintenance of the System, as hereinafter defined, as should normally and regularly be included as such under generally accepted accounting principles.

1.7 “System” means the water development project, including the assets acquired from Deepwater, owned by the Governmental Agency.

1.8 Additional terms and phrases are defined in this Loan Agreement as they are used.

ARTICLE II

The System

2.1 Subject to the terms, conditions and provisions of this Loan Agreement and the Local Act, the Governmental Agency has acquired, or shall do all things necessary to acquire the assets of Deepwater and assume the Deepwater Bonds.

2.2 All real estate and interests in real estate and all personal property constituting the System heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or other security interest as is provided for in the Local Statute unless a sale or transfer of all or a portion of said property is approved by the Authority.

2.3 The Governmental Agency agrees that the Authority and its duly authorized agents shall have the right at all reasonable times to enter upon the System site and System facilities and to examine and inspect the same as may be reasonably necessary to accomplish all of the powers and rights of the Authority with respect to the System pursuant to the pertinent provisions of the Act.

2.4 The Governmental Agency shall permit the Authority, acting by and through its Director or his duly authorized agents and representatives, to inspect all books, documents, papers and records relating to the System at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority such documents and information as it may reasonably require in connection with the operation and maintenance of the System and the administration of the Loan or of any State and federal grants or other sources of financing for the System.

2.5 The Governmental Agency agrees that it will permit the Authority and its agents and representatives to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time.

2.6 If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Notes is outstanding. The Governmental Agency must also obtain, and maintain so long as any of the Local Notes is outstanding, business interruption insurance if available at a reasonable cost.

2.7 The Governmental Agency shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Governmental Agency shall employ qualified operating personnel properly certified by the State to operate the System during the entire term of this Loan Agreement.

2.8 The Governmental Agency hereby covenants and agrees to comply with all applicable laws, rules and regulations issued by the Authority or other State, federal or local bodies in regard to the operation, maintenance and use of the System.

ARTICLE III

Conditions to Loan; Issuance of Local Notes

3.1 The agreement of the Authority to make the Loan is subject to the Governmental Agency's fulfillment, to the satisfaction of the Authority, of each and all of those certain conditions precedent on or before the delivery date for the Local Notes, which shall be the date established pursuant to Section 3.4 hereof. Said conditions precedent are as follows:

(a) The Governmental Agency shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Loan Agreement;

(b) The Governmental Agency shall have authorized the issuance of and delivery to the Authority of the Local Notes described in this Article III and in Article IV hereof;

(c) No Loan shall be made for the purpose of refinancing any outstanding long-term indebtedness of a Governmental Agency unless an opinion of counsel is received by the Authority to the effect that such refinancing is permitted by the Act;

(d) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") and the West Virginia Infrastructure and Jobs Development Council necessary for the operation of the System, with all requisite appeal periods having expired without successful appeal, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(e) The Governmental Agency shall have obtained any and all approvals for the issuance of the Local Notes required by State law, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect; and

(f) The Governmental Agency shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect.

3.2 Subject to the terms and provisions of this Loan Agreement, the rules and regulations promulgated by the Authority or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Loan to the Governmental Agency and the Governmental Agency shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Governmental Agency shall sell to the Authority and the Authority shall make the Loan by purchasing the Local Notes in the principal amount and at the price set forth in Schedule X hereto. The Local Notes shall have such further terms and provisions as described in Article IV hereof.

3.3 The Loan shall be secured and shall be repaid in the manner hereinafter provided in this Loan Agreement.

3.4 The Local Notes shall be delivered to the Authority, on a date designated by the Governmental Agency by written notice to the Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Notes shall be delivered to the Authority on a date as close as possible to the designated date and mutually agreeable to the Authority and the Governmental Agency. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date of execution of this Loan Agreement by the Authority or such later date as is agreed to in writing by the Authority.

3.5 The Governmental Agency shall prepay the Notes from the proceeds of any permanent financing it obtains.

ARTICLE IV

Local Notes; Security for Loan; Repayment of Loan; Interest on Loan; Fees and Charges

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Notes pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as adopted or enacted, contain provisions and covenants in substantially the form as follows, unless the specific provision or covenant is modified or waived by the Authority:

(a) The Governmental Agency hereby pledges the following sources of funds as security for the Notes:

(i) Proceeds of any grants received by the Governmental Agency for the System;

(ii) Proceeds of any revenue bonds, refunding bonds, bond anticipation notes or other obligations of the Governmental Agency, issued subsequent to the issuance of the Notes; and

(iii) Surplus Revenues.

In the event any grants are received by the Governmental Agency, or any revenue bonds, refunding bonds, bond anticipation notes or other obligations of the Governmental Agency are issued, the Governmental Agency shall pay the entire outstanding principal of and interest, if any, accrued to the maturity date of the Notes, from such sources.

(b) The Governmental Agency hereby covenants substantially as follows:

(i) That the Governmental Agency shall operate and maintain the System in good condition;

(ii) That the Governmental Agency recognizes that the Authority may by proper legal action compel the performance of the duties of the Governmental Agency under the Local Act, and shall also have, in the event of a default in the payment of principal of and interest, if any, on the Notes, the right to obtain the appointment of a receiver to administer the System as provided by law;

(iii) That, to the extent legally allowable, the Governmental Agency will not grant any franchise to provide any services which would compete with the System;

(iv) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and the Council, which report shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the Governmental Agency's revenues are adequate to meet its operation and maintenance expenses and debt service requirements;

(v) That for wastewater systems, to the extent authorized by the laws of the State and the rules and regulations of the PSC, prospective users of the System shall be required to connect thereto;

(vi) That the proceeds of the Notes must be deposited in a notes project fund, which, except as otherwise agreed to in writing by the Authority, shall be held separate and apart from all other funds of the Governmental Agency and on which the owners of the Notes shall have a lien until such proceeds are applied to the payment of the costs of the Project or to the payment of bond anticipation notes or other interim financing of such Governmental Agency, the proceeds of which were used to finance the costs of the Project;

(vii) That, as long as the Authority is the owner of any of the Notes, the Governmental Agency may not redeem any Notes without the written consent of the Authority and otherwise in compliance with this Loan Agreement; and

(viii) That the Governmental Agency shall not issue any bonds, notes or other obligations payable from the revenues of the System unless it has received the written consent of the Authority.

The Governmental Agency hereby represents and warrants that the Local Act has been or shall be duly adopted in compliance with all necessary corporate and other action and in accordance with applicable provisions of law. All legal matters incident to the authorization, issuance, sale and delivery of the Notes shall be approved without qualification by recognized bond counsel acceptable to the Authority in substantially the form of legal opinion attached hereto as Exhibit A.

4.3 The principal of and interest, if any, on the Loan shall be repaid by the Governmental Agency on the days and in the years as provided in Schedule X and Schedule Y attached hereto.

4.4 The Loan shall bear interest from the date of the delivery to the Authority of the Local Notes until the date of payment thereof, at the rate or rates per annum set forth on Schedule X hereto. In no event shall the interest rate on or the net interest cost of the Local Notes exceed any statutory limitation with regard thereto.

4.5 The Local Notes shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency. Anything to the contrary herein notwithstanding, the Local Notes may be issued in one or more series, as reflected by Schedule X hereto.

ARTICLE V

Certain Covenants of the Governmental Agency; Imposition and Collection of User Charges; Payments To Be Made by Governmental Agency to the Authority

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act.

5.2 In the event the Governmental Agency defaults in any payment to the Authority pursuant to this Loan Agreement, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, plus 2%, from the date of the default until the date of the payment thereof. The defaulted interest shall be paid from the first deposits made by the Governmental Agency to the Commission.

5.3 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under Section 7 of the Act, including, without limitation, the right to impose, enforce and collect charges of the System.

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges with respect to water development projects in the event of default by the Governmental Agency in the terms and covenants of this Loan Agreement, and the Governmental Agency hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

6.2 The Governmental Agency hereby warrants and represents that all information provided to the Authority in this Loan Agreement and in the Application was at the time, and now is, true, correct and complete, and such information does not omit any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Prior to the Authority's making the Loan and receiving the Local Notes, the Authority shall have the right to cancel all or any of its obligations under this Loan Agreement if (a) any representation made to the Authority by the Governmental Agency in connection with the Loan shall be incorrect or incomplete in any material respect or (b) the Governmental Agency has violated any commitment made by it in its Application or in any supporting documentation or has violated any of the terms of the Act or this Loan Agreement.

6.3 The Governmental Agency hereby agrees to give the Authority prior written notice of the issuance by it of any other obligations to be used for the System, payable from the revenues of the System or from any grants for the System or otherwise related to the System.

ARTICLE VII

Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Loan and additional covenants and agreements of the Governmental Agency, if any, may be set forth in Schedule Z attached hereto and incorporated herein by reference, with the same effect as if contained in the text of this Loan Agreement.

7.2 Schedules X and Y shall be attached to this Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

7.3 If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement, and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

7.4 This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments and take such other actions as may be necessary to give effect to the terms of this Loan Agreement.

7.5 No waiver by either party of any term or condition of this Loan Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Loan Agreement.

7.6 This Loan Agreement supersedes all prior negotiations, representations and agreements between the parties hereto relating to the Loan and constitutes the entire agreement between the parties hereto in respect thereof.

7.7 By execution and delivery of this Loan Agreement, notwithstanding the date hereof, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Local Notes to the Authority and that such obligation may be specifically enforced or subject to a similar equitable remedy by the Authority.

7.8 This Loan Agreement shall terminate upon the earlier of:

(i) the end of ninety (90) days after the date of execution hereof by the Authority or such later date as is agreed to in writing by the Authority if the Governmental Agency has failed to deliver the Local Notes to the Authority; or

(ii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Governmental Agency to the Authority.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Authority.

ARMSTRONG PUBLIC SERVICE DISTRICT

By: Thomas Bowen

Its: Chairman

Date: December 21, 2006

Attest:

Judith Walker
Its: Secretary

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: Daniel B. Zankosky

Its: Director

Date: December 21, 2006

Attest:

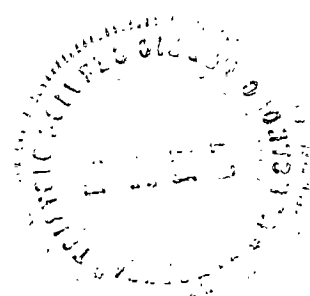
Barbara B. Meadows
Its: Secretary-Treasurer

EXHIBIT A

OPINION OF BOND COUNSEL FOR GOVERNMENTAL AGENCY

[To Be Dated as of Date of Loan Closing]

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311



Ladies and Gentlemen:

We are bond counsel to _____ (the
"Governmental Agency"), a _____.

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a loan agreement dated _____, _____, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated _____, _____ (the "Local Notes"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Notes are issued in the principal amount of \$_____, in the form of one bond, registered as to principal and interest to the Authority, with interest payable semiannually on April 1 and October 1 of each year, commencing _____ 1, _____, at the rate of ___% per annum, and with principal payable annually on October 1 of each year, commencing _____ 1, _____, all as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Local Notes.

The Local Notes are issued for the purposes of (i) _____, and (ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond _____ duly adopted or enacted by the Governmental Agency on _____, as supplemented by the supplemental resolution duly adopted by the Governmental Agency on _____ (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Notes are authorized and issued, and the Loan Agreement has been undertaken. The Local Notes are subject to redemption prior to

Based upon the foregoing and upon our examination of such other documents as we have deemed necessary, we are of the opinion as follows:

1. The Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding special obligation of the Governmental Agency, enforceable in accordance with the terms thereof.

2. The Loan Agreement inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Governmental Agency without the consent of the Authority.

3. The Governmental Agency is a duly organized and validly existing _____, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt or enact the Local Act and to issue and sell the Local Notes, all under the Local Statute and other applicable provisions of law.

4. The Local Act and all other necessary orders and resolutions have been legally and effectively adopted or enacted by the Governmental Agency and constitute valid and binding obligations of the Governmental Agency, enforceable against the Governmental Agency in accordance with their terms. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Local Notes have been duly authorized, issued, executed and delivered by the Governmental Agency to the Authority and are valid, legally enforceable and binding special obligations of the Governmental Agency, payable from the net or gross revenues of the System set forth in the Local Act and secured by a first lien on and pledge of the net or gross revenues of the System, all in accordance with the terms of the Local Notes and the Local Act.

6. The Local Notes are, by statute, exempt _____, and under existing statutes and court decisions of the United States of America, as presently written and applied, the interest on the Local Notes is excludable from the gross income of the recipients thereof for federal income tax purposes.

No opinion is given herein as to the effect upon enforceability of the Local Notes of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Local Bond numbered R-1, and in our opinion the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

EXHIBIT B

MONTHLY FINANCIAL REPORT

Name of Governmental Agency _____
 Name of Bond Issue(s) _____
 Type of Project _____ Water _____ Wastewater _____
 Fiscal Year _____ Report Month _____

<u>Item</u>	<u>Current Month</u>	<u>Total Year To Date</u>	<u>Budget Year To Date</u>	<u>Budget Year To Date Minus Total Year To Date</u>
1. Gross Revenues	_____	_____	_____	_____
2. Operating Expenses	_____	_____	_____	_____
3. Bond Payments:				
<u>Type of Issue</u>				
Clean Water SRF	_____	_____	_____	_____
Drinking Water TRF	_____	_____	_____	_____
Infrastructure Fund	_____	_____	_____	_____
Water Development	_____	_____	_____	_____
Authority				
Rural Utilities Service	_____	_____	_____	_____
Economic Development	_____	_____	_____	_____
Administration	_____	_____	_____	_____
Other (Identify)	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
4. Renewal and Replacement Fund Deposits	_____	_____	_____	_____

Name of Person Completing Form

Address

Telephone

INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

Item 1 You will need a copy of the current fiscal year budget adopted by the Governmental Agency to complete Items 1 and 2. In Item 1, provide the amount of actual **Gross Revenues** for the current month and the total amount year-to-date in the respective columns. Divide the budgeted annual Gross Revenues by 12. For example, if Gross Revenues of \$1,200 are anticipated to be received for the year, each month the base would be increased by \$100 ($\$1,200/12$). This is the incremental amount for the Budget Year-to-Date column.

Item 2 Provide the amount of actual **Operating Expenses** for the current month and the total amount year-to-date in the respective columns. Any administrative fee should be included in the Operating Expenses. Divide the budgeted annual Operating Expenses by 12. For example, if Operating Expenses of \$900 are anticipated to be incurred for the year, each month the base would be increased by \$75 ($\$900/12$). This is the incremental amount for the Budget Year-to-Date column.

Item 3 Provide the **Bond Payments (principal, interest and reserve account)** for all the outstanding bonds of the Governmental Agency according to the source of funding. For example, Clean Water State Revolving Fund loan from Department of Environmental Protection, Drinking Water Treatment Revolving Fund loan from Bureau for Public Health, Infrastructure Fund loan from Infrastructure and Jobs Development Council, or a loan from the Water Development Authority, etc.

Item 4 Provide the amount deposited into the **Renewal and Replacement Fund** each month. This amount is equal to 2.5% of Gross Revenues minus the total reserve account payments included in Item 3. If Gross Revenues are \$1,200, then \$30 (2.5% of \$1,200), LESS the amount of all reserve account payments in Item 3 should be deposited into the Renewal and Replacement Fund. The money in the Renewal and Replacement Fund should be kept separate and apart from all other funds of the Governmental Agency.

The Governmental Agency must complete the Monthly Financial Report and forward it to the Water Development Authority by the 10th day of each month following the date of the Closing.

EXHIBIT C

MONTHLY PAYMENT FORM

West Virginia Water Development Authority
180 Association Drive
Charleston, WV 25311

Re: [Name of bond issue]

Ladies and Gentlemen:

The following deposits were made to the West Virginia Municipal Bond Commission on behalf of [Name of Governmental Agency] on [Date].

Sinking Fund:

Interest \$

Principal \$

Total: \$

Reserve Account: \$

Witness my signature this ____ day of _____.

[Name of Governmental Agency]

By: _____
Authorized Officer

Enclosure: copy of check(s)

SCHEDULE X

DESCRIPTION OF LOCAL NOTES

Principal Amount of Local Notes \$50,000
Purchase Price of Local Notes \$50,000

Interest only on the Local Notes is payable quarterly on March 1, June 1, September 1 and December 1, beginning March 1, 2007, to the Authority for a three year term at the rate of 3% per annum. Principal of the Local Notes is due and payable on March 1, 2010. If the Local Notes are not prepaid on or before March 1, 2010, then the principal of the Local Notes will be amortized over a ten year period at an interest rate of 5% per annum, all as set forth on the Schedule Y attached hereto and incorporated herein by reference.

The Local Notes are fully registered in the name of the Authority as to interest and principal. The Notes shall grant the Authority a first lien on the proceeds of any grants for the System and/or proceeds of any revenue bonds, refunding bonds, bond anticipation notes or other obligations of the Governmental Agency, issued subsequent to the issuance of the Notes and the Surplus Revenues.

As of the date of the Loan Agreement, the Local Notes are junior and subordinate as to liens, pledge and source of and security for payment with the following obligations of the Governmental Agency:

1. Armstrong Public Service District Sewer Revenue Bonds, Series 1994 A (West Virginia Water Development Authority) (Formerly Deep Water Public Service District Sewer Revenue Bonds, Series 1994 A (West Virginia Water Development Authority));
2. Armstrong Public Service District Sewer Revenue Bonds, Series 1994 B (West Virginia SRF Program) (Formerly Deep Water Public Service District Sewer Revenue Bonds, Series 1994 B (West Virginia SRF Program)); and
3. Armstrong Public Service Sewer Revenue Bonds, Series 2002 A.

SCHEDULE Y

\$50,000

Armstrong Public Service District

Closing Date: December 21, 2006

Debt Service Schedule

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I
03/01/2007	-	3.000%	291.67	291.67
06/01/2007	-	3.000%	375.00	375.00
09/01/2007	-	3.000%	375.00	375.00
12/01/2007	-	3.000%	375.00	375.00
03/01/2008	-	3.000%	375.00	375.00
06/01/2008	-	3.000%	375.00	375.00
09/01/2008	-	3.000%	375.00	375.00
12/01/2008	-	3.000%	375.00	375.00
03/01/2009	-	3.000%	375.00	375.00
06/01/2009	-	3.000%	375.00	375.00
09/01/2009	-	3.000%	375.00	375.00
12/01/2009	-	3.000%	375.00	375.00
03/01/2010	971.00	5.000%	625.00	1,596.00
06/01/2010	983.00	5.000%	612.86	1,595.86
09/01/2010	996.00	5.000%	600.58	1,596.58
12/01/2010	1,008.00	5.000%	588.13	1,596.13
03/01/2011	1,021.00	5.000%	575.53	1,596.53
06/01/2011	1,033.00	5.000%	562.76	1,595.76
09/01/2011	1,046.00	5.000%	549.85	1,595.85
12/01/2011	1,059.00	5.000%	536.78	1,595.78
03/01/2012	1,073.00	5.000%	523.54	1,596.54
06/01/2012	1,086.00	5.000%	510.13	1,596.13
09/01/2012	1,100.00	5.000%	496.55	1,596.55
12/01/2012	1,113.00	5.000%	482.80	1,595.80
03/01/2013	1,127.00	5.000%	468.89	1,595.89
06/01/2013	1,141.00	5.000%	454.80	1,595.80
09/01/2013	1,156.00	5.000%	440.54	1,596.54
12/01/2013	1,170.00	5.000%	426.09	1,596.09
03/01/2014	1,185.00	5.000%	411.46	1,596.46
06/01/2014	1,199.00	5.000%	396.65	1,595.65
09/01/2014	1,214.00	5.000%	381.66	1,595.66
12/01/2014	1,230.00	5.000%	366.49	1,596.49
03/01/2015	1,245.00	5.000%	351.11	1,596.11
06/01/2015	1,261.00	5.000%	335.55	1,596.55
09/01/2015	1,276.00	5.000%	319.79	1,595.79
12/01/2015	1,292.00	5.000%	303.84	1,595.84
03/01/2016	1,308.00	5.000%	287.69	1,595.69
06/01/2016	1,325.00	5.000%	271.34	1,596.34
09/01/2016	1,341.00	5.000%	254.78	1,595.78
12/01/2016	1,358.00	5.000%	238.01	1,596.01
03/01/2017	1,375.00	5.000%	221.04	1,596.04
06/01/2017	1,392.00	5.000%	203.85	1,595.85
09/01/2017	1,410.00	5.000%	186.45	1,596.45
12/01/2017	1,427.00	5.000%	168.83	1,595.83

\$50,000

Armstrong Public Service District

Closing Date: December 21, 2006

Debt Service Schedule

Part 2 of 2

Date	Principal	Coupon	Interest	Total P+I
03/01/2018	1,445.00	5.000%	150.99	1,595.99
06/01/2018	1,463.00	5.000%	132.93	1,595.93
09/01/2018	1,481.00	5.000%	114.64	1,595.64
12/01/2018	1,500.00	5.000%	96.13	1,596.13
03/01/2019	1,519.00	5.000%	77.38	1,596.38
06/01/2019	1,538.00	5.000%	58.39	1,596.39
09/01/2019	1,557.00	5.000%	39.16	1,596.16
12/01/2019	1,576.00	5.000%	19.70	1,595.70
Total	\$50,000.00	-	\$18,259.36	\$68,259.36

Yield Statistics

Bond Year Dollars	\$424.07
Average Life	8.481 Years
Average Coupon	4.3056940%
Net Interest Cost (NIC)	4.3056940%
True Interest Cost (TIC)	4.2326949%
Bond Yield for Arbitrage Purposes	4.2326949%
All Inclusive Cost (AIC)	4.2326949%

IRS Form 8038

Net Interest Cost	4.3056940%
Weighted Average Maturity	8.481 Years

SCHEDULE Y

DEBT SERVICE SCHEDULE

SCHEDULE Z

Interest only on the Local Notes is payable quarterly on March 1, June 1, September 1 and December 1, beginning March 1, 2007, to the Authority for a three year term at the rate of 3% per annum. Principal of the Local Notes is due and payable on March 1, 2010. If the Local Notes are not prepaid on or before March 1, 2010, then the principal of the Local Notes will be amortized over a ten year period at an interest rate of 5% per annum, all as set forth on the Schedule Y attached hereto and incorporated herein by reference.

ARMSTRONG PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND ANTICIPATION NOTES, SERIES 2006 A

NOTE RESOLUTION

TABLE OF CONTENTS

	<u>PAGE</u>
ARTICLE I	
STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS	
Section 1.01. Authority of this Note Legislation	1
Section 1.02. Definitions.....	1
Section 1.03. Note Legislation Constitutes Contract	7
Section 1.04. Findings.....	8
ARTICLE II	
AUTHORIZATION OF FUNDING OF THE DEFICIENCY	
Section 2.01. Authorization of Funding of the Deficiency	10
ARTICLE III	
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF NOTES	
Section 3.01. Authorization of Notes.....	11
Section 3.02. Terms of Notes.....	11
Section 3.03. Execution of Notes.....	11
Section 3.04. Negotiability, Transfer and Registration.....	11
Section 3.05. Notes Mutilated, Destroyed, Stolen or Lost.....	12
Section 3.06. Notes not to be Indebtedness of the District	13
Section 3.07. Notes Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds	13
Section 3.08. Delivery of Notes	13
Section 3.09. Form of Notes	13
ARTICLE IV	
[Reserved]	21

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment and Continuation of Funds and Accounts with Depository Bank.....	22
Section 5.02. Establishment and Continuation of Funds and Accounts with Commission.....	22
Section 5.03. System Revenues; Flow of Funds	22

ARTICLE VI

APPLICATION OF NOTE PROCEEDS

Section 6.01 Application of Note Proceeds.....	26
--	----

ARTICLE VII

ADDITIONAL COVENANTS OF THE DISTRICT

Section 7.01. General Covenants of the District	27
Section 7.02. Notes not to be Indebtedness of the District	27
Section 7.03. Notes Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds	27
Section 7.04. Initial Schedule of Rates and Charges	27
Section 7.05. Sale of the System.....	28
Section 7.06. Issuance of Other Obligations Payable out of Revenues and General Covenant Against Encumbrances	29
Section 7.07. Parity Bonds	30
Section 7.08. Books, Records and Audit.....	31
Section 7.09. Rates	32
Section 7.10. Operating Budget	33
Section 7.11. Engineering Services and Operating Personnel	33
Section 7.12. No Competing Franchise.....	33
Section 7.13. Enforcement of Collections.....	34
Section 7.14. No Free Services	34
Section 7.15. Insurance	35
Section 7.16. Connections.....	36
Section 7.17. Funding the Deficiency; Permits and Orders	36
Section 7.18. Compliance With Law	36
Section 7.19. Statutory Mortgage Lien	36

ARTICLE VIII

INVESTMENT OF FUNDS

Section 8.01. Investments	37
---------------------------------	----

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default	38
Section 9.02. Remedies	38
Section 9.03. Appointment of Receiver	39

ARTICLE X

PAYMENT OF NOTES

Section 10.01. Payment of Notes	41
Section 10.02. Prepayment	41

ARTICLE XI

MISCELLANEOUS

Section 11.01. Modification or Amendment	42
Section 11.02. Note Legislation Constitutes Contract	42
Section 11.03. Severability of Invalid Provisions	42
Section 11.04. Headings, Etc.	42
Section 11.05. Conflicting Provisions Repealed	42
Section 11.06. Covenant of Due Procedure	43
Section 11.07. Effective Date	43

ARMSTRONG PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$50,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BOND ANTICIPATION NOTES, SERIES 2006 A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH NOTES; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH NOTES; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED AND ADOPTED BY THE PUBLIC SERVICE BOARD OF ARMSTRONG PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS

Section 1.01. Authority of this Note Legislation. This Resolution (together with any resolution or resolution supplemental hereto or amendatory hereof, the “Note Legislation”) is adopted pursuant to the provisions of Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended, and other applicable provisions of law.

Section 1.02. Definitions. The following terms shall have the following meanings in this Note Legislation unless the context expressly requires otherwise.

“Act” means Chapter 16, Article 13A of the Code of West Virginia, of 1931, as amended and in effect on the date of enactment of this Note Legislation.

“Authority” means the Water Development Authority, a public corporation of the State of West Virginia, and, where appropriate, the Board, as hereinafter defined, or any successor to either thereof.

“Board” means the board of the Authority or any other governing body of the Authority that succeeds to the functions of the Board as presently constituted.

“Chairman” means the Chairman of the Governing Body.

“Closing Date” means the date upon which there is an exchange of the Series 2006 A Notes for all or a portion of the proceeds of the Series 2006 A Notes.

“Commission” means the West Virginia Municipal Bond Commission or any other agency of the State that succeeds to the functions of the Commission.

“Deepwater” means Deepwater Public Service District, a public corporation and political subdivision of the State in Fayette County, West Virginia, and, when appropriate, also means the Governing Body thereof and any department, board, organization or institution thereof in control of the management and operation of the System, as hereinafter defined.

“Depository Bank” means the bank or banks designated as such in the Supplemental Resolution and any successors and assigns, which shall be a member of FDIC.

“District” means the Armstrong Public Service District, a public corporation and political subdivision of the State in Fayette County, West Virginia, and, when appropriate, also means the Governing Body thereof and any department, board, organization or institution thereof in control of the management and operation of the System, as hereinafter defined.

“Event of Default” means any event or occurrence specified in Section 9.01 hereof.

“FDIC” means the Federal Deposit Insurance Corporation and any successor to the functions of the FDIC.

“Fiscal Year” means each twelve-month period beginning on July 1 and ending on the succeeding June 30.

“Governing Body” means the Public Service Board of the District or any other governing body of the District that succeeds to the functions of the Board as presently constituted.

“Government Obligations” means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America.

“Gross Revenues” means the aggregate gross operating and non-operating revenues of the System determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided that, “Gross Revenues” does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined) or any Tap Fees, as hereinafter defined.

“Independent Certified Public Accountants” means any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the District to prepare an independent annual or special audit of the accounts of the System or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

“Net Revenues” means the balance of the Gross Revenues, remaining after deduction of Operating Expenses, as hereafter defined.

“Note Legislation,” “Resolution” or “Note Resolution” means this Note Resolution in its present form and all ordinances, orders and resolutions supplemental hereto or amendatory hereof.

“Notes” means the Series 2006 A Notes.

“Operating Expenses” means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those capitalized as part of the Costs); fees and expenses of fiscal agents, depository banks, registrars, paying agents and trustees (other than those capitalized as part of the Costs); payments to pension or retirement funds; taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided that, “Operating Expenses” does not include payments on account of the principal of or redemption premium, if any, or interest on the Notes; charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets; and amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

“Outstanding” when used with reference to Notes, as of any particular date, describes all such Notes theretofore and thereupon being authenticated and delivered except (i) any such Note canceled by the Registrar, at or prior to said date; (ii) any such Note for the payment of which moneys, equal to its principal amount, with interest to the date of maturity of any such Note, shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any such Note deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents, notices or other action by a specified percentage of Registered Owners, any such Note registered to the District.

“Parity Bonds” means the Parity Bonds issued under the provisions and within the limitations prescribed by Section 7.07 hereof.

“Paying Agent” means the West Virginia Municipal Bond Commission.

“Prior Bonds” means the District’s Sewer Revenue Bonds, Series 1994 A (Formerly Deep Water Public Service District Sewer Revenue Bonds, Series 1994 A), Sewer Revenue Bonds, Series 1994 B (Formerly Deep Water Public Service District Sewer Revenue Bonds, Series 1994 B), and Sewer Revenue Bonds, Series 2002 A.

“Prior Resolutions” means the resolutions of the District enacted authorizing or assuming the Prior Bonds.

“PSC” means the Public Service Commission of West Virginia.

“Qualified Investments” means and includes any of the following:

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; the Tennessee Valley Authority; or the Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligation issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the Federal Deposit Insurance Corporation (“FDIC”), shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

(f) Money market funds or similar funds whose only assets are investments of the type described in paragraphs (a) through (e) above;

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e), above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further that the owner of such repurchase agreement shall have a prior perfected security interest in the collateral therefor; must have (or its agent must have) possession of such collateral; and such collateral must be free of all claims by third parties;

(h) The West Virginia “consolidated fund” managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C of the Code of West Virginia, 1931, as amended; and

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is exempt from federal income taxation, and which are rated at least “A” by Moody’s Investor Service, Inc., or Standard and Poor’s Corporation.

“Registered Owner” or any similar term whenever used herein with respect to an outstanding Bond or Bonds, means the person in whose name such Bond is registered.

“Registrar” or “Bond Registrar” means the Secretary of the Governing Body.

“Reserve Accounts” means the respective Reserve Accounts created for the Prior Bonds.

“Reserve Requirements” means the respective reserve requirements of the Prior Bonds.

“Revenue Fund” means the Revenue Fund created by the Prior Resolutions and continued hereby.

“Secretary” means the Secretary of the District.

“Series 1994 A Bonds” means the Sewer Revenue Bonds, Series 1994 A (Formerly Deep Water Public Service District Sewer Revenue Bonds, Series 1994) of the District.

“Series 1994 B Bonds” means the Sewer Revenue Bonds, Series 1994 (Formerly Deep Water Public Service District Sewer Revenue Bonds, Series 1994 B) of the District.

“Series 2002 A Bonds” means the Sewer Revenue Bonds, Series 2002 A of the District.

“Series 2006 A Notes” means the Sewer Revenue Bond Anticipation Notes, Series 2006 A, of the District, authorized to be issued by this Note Legislation.

“Series 2006 A Notes Sinking Fund” means the Series 2006 A Notes Sinking Fund created by Section 5.02 hereof.

“Sinking Funds” means, collectively, the respective Sinking Funds created for the Series 2006 A Notes and the Prior Bonds.

“State” means the State of West Virginia.

“Supplemental Resolution” means any resolution, ordinance or order of the District supplementing or amending this Note Legislation and when preceded by the article “the,” refers specifically to the Supplemental Resolution authorizing the sale of the Series 2006 A Notes; provided that, any matter intended by this Note Legislation to be included in

the Supplemental Resolution with respect to the Series 2006 A Notes and not so included may be included in another Supplemental Resolution.

“Surplus Revenues” means the Net Revenues not required by the Prior Resolutions to be set aside and held for the payment of or security for the Prior Bonds or any other obligations of the District, including, without limitation, the Sinking Funds and the Reserve Accounts.

“System” means the complete existing sewage system of the District, and shall include any extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the System from any sources whatsoever, both within and without the District, including the Deepwater (as herein defined) system.

“Tap Fees” means the fees, if any, paid by prospective customers of the System in order to connect thereto.

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations. Words importing the masculine, feminine or neutral gender include any other gender.

Additional terms and phrases are defined in this Note Legislation as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles.

The terms “herein,” “hereunder,” “hereby,” “hereto,” “hereof” and any similar terms refer to this Note Legislation; and the term “hereafter” means after the date of the enactment of this Note Legislation.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Note Legislation so numbered.

Section 1.03. Note Legislation Constitutes Contract. In consideration of the acceptance of the Series 2006 A Notes by those who shall be the Registered Owners of the same from time to time, this Note Legislation shall be deemed to be and shall constitute a contract between the District and such Registered Owners, and the covenants and agreements herein set forth to be performed by the District shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Notes, all of which shall be of equal rank and without preference, priority or distinction between any one Note of a series and any

other Notes of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

Section 1.04. Findings. It is hereby found, determined and declared as follows:

A. The District is a public corporation and political subdivision of the State in Fayette County of said State. The District presently owns and operates a public sewage system. However, the District deems it necessary and desirable for the health, welfare and safety of the inhabitants of the District that the District acquire the assets and system of Deepwater by assuming the outstanding debt of Deepwater, specifically the Series 1994 A Bonds and Series 1994 B Bonds, and enlarging the area of the District to include the area of Deepwater.

B. Deepwater currently has a debt service reserve fund deficiency of \$50,000 (the "Deficiency"). The registered owners of the Series 1994 A Bonds and Series 1994 B Bonds can not consent to the merger until the Deficiency is cured.

C. The District intends to finance the costs of curing the Deficiency through the issuance of its Notes to the Authority.

D. The maximum amount that the District may borrow to fund the Deficiency pursuant to an order of the PSC dated July 10, 2006, is \$50,000, which will be obtained from proceeds of the Series 2006 A Notes.

E. The estimated revenues to be derived in each year from the operation of the System will be sufficient to pay all Operating Expenses of the System, the principal of and interest on the Prior Bonds and the Notes, and to make payments into all funds and accounts and other payments provided for in this Note Legislation.

F. The District expects to complete upgrades to the System and take the Series 2006 A Notes out with permanent financing within approximately three years.

G. It is deemed necessary for the District to issue the Series 2006 A Notes in the aggregate principal amount of not more than \$50,000, to fund the Deficiency.

H. There are outstanding obligations of the District which will rank senior and superior to the Series 2006 A Notes as to liens, pledge and source of and security for payment, being the Prior Bonds. The Series 2006 A Notes are payable solely from

proceeds of any additional sewerage system revenue bonds or refunding revenue bonds of the District, any grants which the District may receive, any additional bond anticipation notes which the District may issue from time to time upon maturity of this Note and Surplus Revenues of the System. Money from these sources shall be deposited in the Series 2006 A Notes Sinking Fund established under the Resolution for the prompt payment of this Note.

The Series 2006 A Notes shall be issued junior and subordinate with the Prior Bonds, with respect to liens, pledge and source of and security for payment and in all other respects. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the District which are secured by the Net Revenues and assets of the System.

I. The District has complied with all requirements of West Virginia law and the Loan Agreement, relating to authorization of the completion of the Project, the operation of the System and the issuance of the Series 2006 A Notes, or will have so complied prior to the issuance of any thereof, including, among other things, the approval of funding the Deficiency by the PSC.

ARTICLE II

AUTHORIZATION OF FUNDING THE DEFICIENCY

Section 2.01. Authorization of Funding the Deficiency. There is hereby authorized and ordered the funding of the Deficiency from the Series 2005 A Notes Proceeds, at an estimated cost of not to exceed \$50,000. The proceeds of the Series 2006 A Notes shall be applied as provided in Article VI hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF NOTES

Section 3.01. Authorization of Notes. For the purposes of funding the Deficiency not otherwise provided for related costs, or any of such purposes, as may be specified in the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2006 A Notes of the Authority. The Series 2006 A Notes shall be issued as a single bond, designated as "Sewer Revenue Bond Anticipation Notes, Series 2006 A," in the aggregate principal amount of \$50,000.

Section 3.02. Terms of Notes. Payments of interest only on the Series 2006 A Notes are payable quarterly on March 1, June 1, September 1 and December 1, beginning March 1, 2007, to the Authority for a three year term at the rate of 3% per annum. Principal of the Series 2006 A Notes is due and payable on March 1, 2010. If the Series 2006 A Notes are not prepaid before March 1, 2010, then the principal of the Series 2006 A Notes will be amortized over a ten year period at an interest rate of 5% per annum, all as set forth on the Schedule Y attached to the Notes.

The Series 2006 A Notes shall be subject to prepayment at any time at the option of the District and shall be payable as provided in the Series 2006 A Note form hereinafter set forth.

Section 3.03. Execution of Notes. The Series 2006 A Notes shall be executed in the name of the District by the Chairman and attested by the Secretary, and the seal of the District shall be affixed thereto or imprinted thereon. In case any one or more of the officers who shall have signed or sealed any of the Notes shall cease to be such officer of the District before the Notes so signed and sealed have been sold and delivered, such Notes may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Notes had not ceased to hold such office. Any Notes may be signed and sealed on behalf of the District by such person as, at the actual time of the execution of such Notes, shall hold the proper office in the District, although at the date of such Notes such person may not have held such office or may not have been so authorized.

Section 3.04. Negotiability, Transfer and Registration. The Series 2006 A Notes shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, but the Notes, and the right to principal of and stated interest on the Notes, may only be transferred by transfer of the registration thereof upon the

books of the Note Registrar, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Notes for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Note Registrar.

Whenever the Series 2006 A Notes shall be surrendered for registration of transfer, the District shall execute and deliver a new Note or Notes in authorized denominations, for a like aggregate principal amount. The Note Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No registration of transfer of the Series 2006 A Notes shall be permitted to be made after the 15th day next preceding any installment payment date on the Notes.

The Secretary shall be the Note Registrar and will keep, or cause to be kept by its agent, at its office, books for the registration and transfer of the Series 2006 A Notes and, upon presentation for such purpose, the Note Registrar shall, under such reasonable regulations as it may prescribe, register the Notes initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Notes as hereinbefore provided.

The Note Registrar shall accept the Series 2006 A Notes for registration or transfer only if ownership thereof is to be registered in the name of the Authority, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2006 A Notes shall initially be fully registered as to both principal and interest in the name of the Authority.

Section 3.05. Notes Mutilated, Destroyed, Stolen or Lost. In case any Series 2006 A Note shall become mutilated or be destroyed, stolen or lost, the Authority may, in its discretion, issue and deliver a new Note of the same series and of like tenor as the Notes so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Note, upon surrender and cancellation of such mutilated Note, or in lieu of and substitution for the Note destroyed, stolen or lost, and upon the Registered Owner's furnishing proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Authority may prescribe and paying such expenses as the

Authority may incur. All Notes so surrendered shall be canceled and held for the account of the District. If any such Note shall have matured or be about to mature, instead of issuing a substitute Note, the Authority may pay the same, upon being indemnified as aforesaid, and if such Note be lost, stolen or destroyed, without surrender thereof.

Section 3.06. Notes not to be Indebtedness of the District. The Series 2006 A Notes shall not, in any event, be or constitute an indebtedness of the District within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the proceeds of any additional sewerage system revenue bonds or refunding revenue bonds of the District, any grants which the District may receive, any additional bond anticipation notes which the District may issue from time to time upon maturity of this Note and Surplus Revenues of the System as herein provided. No Registered Owner of the Series 2006 A Notes shall ever have the right to compel the exercise of the taxing power of the District to pay the Series 2006 A Notes or any interest thereon.

Section 3.07. Notes Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2006 A Notes shall be secured by proceeds of any additional sewerage system revenue bonds or refunding revenue bonds of the District, any grants which the District may receive, any additional bond anticipation notes which the District may issue from time to time upon maturity of this Note and Surplus Revenues of the System junior and subordinate to the lien on the Net Revenues in favor of the Registered Owners of the Prior Bonds.

Section 3.08. Delivery of Notes. The District shall execute and deliver the Series 2006 A Notes to the Authority as soon as the Authority will accept such delivery.

Section 3.09. Form of Notes. The text of the Series 2006 A Notes shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Note Legislation or any subsequent resolution or ordinance adopted or enacted prior to the issuance thereof:

(FORM OF NOTE)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
ARMSTRONG PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND ANTICIPATION NOTES, SERIES 2006 A
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

No. AR-1

\$50,000

KNOW ALL MEN BY THESE PRESENTS: That ARMSTRONG PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Fayette County of said State (the "District"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of FIFTY THOUSAND DOLLARS (\$50,000), on March 1, 2010, provided that if this Note is not paid in full on or before March 1, 2010, principal shall be payable as set forth on the "Debt Service Schedule" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest shall run from the original date of delivery of this Note to the Authority and payment therefor, such interest shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2007. Principal installments of this Note if not paid on or before March 1, 2010, are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Note is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of the Secretary of the District, Kimberly, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Note may be redeemed prior to its stated date of maturity in whole at any time.

This Note is issued to fund the debt service reserve account deficiency of Deepwater Public Service District in order to complete the merger of Armstrong Public Service District and Deepwater Public Service District. This Note is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including

particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Note Resolution duly adopted by the District on December 21, 2006 (the "Note Legislation"), and is subject to all the terms and conditions thereof.

THIS NOTE IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS TO THE DISTRICT'S SEWER REVENUE BONDS, SERIES 1994 A (FORMERLY DEEP WATER PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 1994), SEWER REVENUE BONDS, SERIES 1994 B (FORMERLY DEEP WATER PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 1994 B), AND SEWER REVENUE BONDS, SERIES 2002 A.

This Note is payable solely from proceeds of any additional sewerage system revenue bonds or refunding revenue bonds of the District, any grants which the District may receive, any additional bond anticipation notes which the District may issue from time to time upon maturity of this Note and Surplus Revenues of the System. Money from these sources shall be deposited in the Series 2006 A Notes Sinking Fund established under the Resolution for the prompt payment of this Note.

This Note does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, nor shall the District be obligated to pay the same, except from the sources set forth above. Pursuant to the Resolution, the District has entered into certain covenants with the Authority, for the terms of which reference is made to the Resolution. Remedies provided the Authority are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Note is transferable, as provided in the Note Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Note, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Note, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Note, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been

pledged to and will be set aside into said special fund by the District for the prompt payment of the principal of and interest on this Note.

All provisions of the Note Legislation, resolutions and statutes under which this Note is issued shall be deemed to be a part of the contract evidenced by this Note to the same extent as if written fully herein.

IN WITNESS WHEREOF, ARMSTRONG PUBLIC SERVICE DISTRICT has caused this Note to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Note to be dated December 21, 2006.

[SEAL]

Chairman

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Note is one of the Series 2006 A Notes described in the within-mentioned Note Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: December 21, 2006.

Secretary of the Armstrong Public Service District
as Registrar

Secretary

EXHIBIT A

DEBT SERVICE SCHEDULE

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____ the within Note and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Note on the books kept for registration of the within Note of the said District with full power of substitution in the premises.

Dated: _____, _____.

In the presence of:

ARTICLE IV

[Reserved]

ARTICLE V

[SYSTEM REVENUES AND APPLICATION THEREOF]

Section 5.01. Establishment and Continuation of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with (or continued if previously created by the Prior Resolutions) and shall be held by the Depository Bank:

- (1) Revenue Fund (created by the Prior Resolutions); and
- (2) Renewal and Replacement Account (created by the Prior Resolutions).

Section 5.02. Establishment and Continuation of Funds and Accounts with Commission. The following special accounts are hereby created with (or continued if previously created by the Prior Resolutions) and shall be held by the Commission:

- (1) Series 1994 A Bonds Sinking Fund;
- (2) Series 1994 A Bonds Reserve Account;
- (3) Series 1994 B Bonds Sinking Fund;
- (4) Series 1994 B Bonds Reserve Account;
- (5) Series 2002 A Bonds Sinking Fund;
- (6) Series 2002 A Bonds Reserve Account; and
- (7) Series 2006 A Notes Sinking Fund.

Section 5.03. System Revenues; Flow of Funds. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Prior Resolutions and this Note Legislation and shall be kept separate and distinct from all other funds of the District and the Depository Bank and used only for the purposes and in the

manner provided in this Note Legislation and in the Prior Resolutions. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following manner order of priority:

(1) The District shall first, each month, pay from the monies in the Revenue Fund the Operating Expenses of the System.

(2) The District shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the respective Sinking Funds, the amount required by the Prior Resolutions to pay interest on the Prior Bonds.

(3) The District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission for deposit in the respective Sinking Funds, the amount required by the Prior Resolutions to pay the principal of the Prior Bonds.

(4) The District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission for deposit in the respective Reserve Accounts, the amount required by the Prior Resolutions.

(5) The District shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, an amount equal to 2 1/2% of the Gross Revenues each month (as previously set forth in the Prior Resolutions and not in addition thereto), exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the District or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such accounts have not, as of the date of determination of a deficiency, funded such accounts to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(6) The District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission for deposit in the Series 2006 A Notes Sinking Fund the amount required to pay interest on the Series 2006 A Notes.

(7) Commencing March 1, 2010, the District shall on the first day of the month, transfer from the Revenue Fund and simultaneously remit to the Commission for deposit in the Series 2006 Notes Sinking Fund, the amount required by this Resolution to pay principal of the Series 2006 A Notes.

Monies in the Series 2006 A Notes Sinking Fund shall be used only for the purposes of paying interest of, and if applicable, principal of the Series 2006 A Notes as the same shall become due.

All investment earnings on monies in the Series 2006 A Notes Sinking Fund shall be returned, not less than once each year, by the Commission to the District, and such amounts shall be deposited in the Revenue Fund and applied in full to the next ensuing interest or principal payment due on the Series 2006 A Notes.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2006 A Notes Sinking Fund created hereunder, and all required amounts shall be remitted to the Commission from the Revenue Fund by the District at the times provided herein. If required by the Authority at any time, the District shall make the necessary arrangements whereby required payments into the Series 2006 A Notes Sinking Fund shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder

Monies in the Series 2006 A Notes Sinking Fund shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2006 A Notes Sinking Fund shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2006 A Notes under the conditions and restrictions set forth herein.

B. The District shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay their respective charges and fees then due. In the case of payments to the Commission under this paragraph, the District shall, if required by the Authority anytime make the necessary arrangements whereby such required payments shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required.

C. The monies in excess of the maximum amount insured by FDIC in all funds and accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State

D. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03 and the relevant provisions of the Prior Resolutions, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

E. All remittances made by the District to the Commission and the Depository Bank shall clearly identify the fund or account into which each amount is to be deposited.

F. The Gross Revenues of the System shall only be used for purposes of the System.

ARTICLE VI

APPLICATION OF NOTE PROCEEDS

Section 6.01. Application of Note Proceeds. The District hereby directs the Authority, as purchaser of the Series 2006 A Notes, to deposit the purchase price with the Commission for credit to the Series 1994 A and Series 1994 B Bonds Reserve Accounts.

ARTICLE VII

ADDITIONAL COVENANTS OF THE DISTRICT

Section 7.01. General Covenants of the District. All the covenants, agreements and provisions set forth in this Note Legislation shall be and constitute valid and legally binding covenants of the District and shall be enforceable in any court of competent jurisdiction by any Registered Owner of the Series 2006 A Notes. In addition to the other covenants, agreements and provisions of this Note Legislation, the District hereby covenants and agrees with the Registered Owner of the Series 2006 A Notes as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as the Series 2006 A Notes or the interest thereon is Outstanding and unpaid.

Section 7.02. Notes not to be Indebtedness of the District. The Series 2006 A Notes shall not be nor constitute an indebtedness of the District within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Note Legislation. No Registered Owner of any Series 2006 A Notes shall ever have the right to compel the exercise of the taxing power of the District to pay the Series 2006 A Notes or the interest thereon.

Section 7.03. Notes Secured by Pledge of Surplus Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2006 A Notes shall be junior and subordinate to lien of the Prior Bonds. The Series 2006 A Notes are payable solely from proceeds of any additional sewerage system revenue bonds or refunding revenue bonds of the District, any grants which the District may receive, any additional bond anticipation notes which the District may issue from time to time upon maturity of this Note and Surplus Revenues of the System. Money from these sources shall be deposited in the Series 2006 A Notes Sinking Fund established under the Resolution for the prompt payment of this Note.

Section 7.04. Initial Schedule of Rates and Charges. The District has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of this Note Legislation. The initial schedule of rates and charges for the services and facilities of the System shall be as approved by the PSC.

So long as the Series 2006 A Notes are outstanding, the District covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Note Legislation. In the event the schedule of rates and charges initially established for the System in connection with the Series 2006 A Notes shall prove to be insufficient to produce the required sums set forth in this Note Legislation, the District hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Note Legislation.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the District shall not sell, mortgage, lease or otherwise dispose of the System, except as provided in the Prior Resolutions. Additionally, so long as the Series 2006 A Notes are outstanding and except as otherwise required by law or with the written consent of the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Notes then Outstanding in accordance with Article X hereof. The proceeds from such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2006 A Notes, immediately be remitted to the Authority for payment of principal of and interest on the Series 2006 A Notes. Any balance remaining after the payment of all the Notes and interest thereon shall be remitted to the District, unless necessary for the payment of other obligations of the District payable out of the revenues of the System.

The foregoing provision notwithstanding, the District shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the District shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds derived from any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the District shall first, in writing, determine that such property comprising a part of the

System is no longer necessary, useful or profitable in the operation thereof and the District may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding in accordance with the laws of the State. The proceeds derived from any such sale shall be deposited in the Revenue Fund. Such payments of proceeds into the Revenue Fund shall not reduce the amounts required to be paid into such account by other provisions of this Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the District if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Notes then Outstanding, without the prior approval and consent in writing of the Registered Owners of the Notes then Outstanding. The District shall prepare the form of such approval and consent for execution by the then Registered Owners of the Notes for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable out of Revenues and General Covenant Against Encumbrances. So long as the Series 2006 A Notes are Outstanding, no additional Notes, Bonds or other obligations payable out of the revenues of the System, except under the conditions and in the manner herein provided and with the prior written consent of the Authority, shall be issued by the District. The District shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2006 A Notes. All obligations hereafter issued by the District payable from the revenues of the System, except such additional Parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2006 A Notes; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the District shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to such additional Parity Bonds, being on a parity with the lien of the Series 2006 A Notes, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 2006 A Notes and the interest thereon in this Note Legislation or upon the System or any part thereof.

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable. In addition, no additional Bonds, Notes or other obligations payable out of the revenues of the System shall be issued after the issuance of any Notes pursuant to this Note Legislation, except under the conditions and in the manner herein provided and with the prior written consent of the Authority.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2006 A Notes.

No Parity Bonds shall be issued, except for the purpose of financing the costs of the design, acquisition or construction of extensions, additions, betterments or improvements to the System or refunding the Notes or both such purposes.

So long as the Series 2006 A Notes are Outstanding, no Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 115% of the average annual debt service requirements on the following:

- (1) The Notes then Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Note Legislation then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

The foregoing limitation may be waived or modified by the written consent of the Registered Owners of the Series 2006 A Notes, representing 75% of the then-outstanding principal indebtedness.

All covenants and other provisions of this Note Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Registered Owners of the Series 2006 A Notes and the Registered Owners of any Parity Bonds subsequently issued, from time to time, within the limitations of and in compliance with this Section. All the Notes issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their respective liens on the revenues of the System and their respective sources of and security for payment from said

revenues, without preference of any Note over any other. The District shall comply fully with all the increased payments into the various funds and accounts created in this Note Legislation required for and on account of such additional Parity Bonds, in addition to the payments required for Notes theretofore issued pursuant to this Note Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Series 2006 A Notes on such revenues. The District shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this Section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2006 A Notes.

No Parity Bonds shall be issued at any time, however, unless all the payments into the respective funds and accounts provided for in this Note Legislation on account of the Notes then Outstanding, and any other payments provided for in this Note Legislation, shall have been made in full as required to the date of delivery of the Parity Bonds, and the District shall then be in full compliance with all the covenants, agreements and terms of this Note Legislation and the Prior Resolutions.

Section 7.08. Books, Records and Audit. The District shall permit the Authority and its agents and representatives to inspect all books, documents, papers and records relating to the System, at all reasonable times, for the purpose of audit and examination. The District shall submit to the Authority such documents and information as it may reasonably require in connection with the operation and maintenance of the System and the administration of the loan or any State and federal grants or other sources of financing for the System.

The District shall permit the Authority and its agents and representatives to inspect all records pertaining to the operation and maintenance of the System, at all reasonable times.

The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and any Registered Owner of the Series 2006 A Notes issued pursuant to the Note Legislation shall have the right, at all reasonable times, to inspect the System and all parts thereof and all records, accounts and data of the District relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the District. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books, and along with other bookkeeping records as prescribed by the District.

The District shall file with the Authority an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Note Legislation and the status of all said funds and accounts.

(C) The amount of any Bonds, Notes or other obligations Outstanding.

The District shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Registered Owner of the Series 2006 A Notes, and shall submit said report to the Authority. Such audit report shall include a statement that the District is in compliance with the terms and provisions of the Act and this Note Legislation and that the Gross Revenues are adequate to meet the Operating Expenses and debt service and reserve requirements.

Section 7.09. Rates. Prior to issuance of the Series 2006 A Notes, equitable rates or charges for the use of and service rendered by the System shall be established in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the District hereby covenants and agrees that the schedule

of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Series 2006 A Notes and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2006 A Notes.

Section 7.10. Operating Budget. The Governing Body shall, annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority within 30 days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the District shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made, except upon the further certificate of a professional engineer that such increased expenditures are necessary for the continued operation of the System. The District shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Authority.

Section 7.11. Engineering Services and Operating Personnel. The District shall provide and maintain competent and adequate engineering services satisfactory to the Authority, covering the supervision and inspection of the completion of the Project and bearing the responsibility of assuring that Project conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies.

The District shall employ qualified operating personnel, properly certified by the State to operate the System so long as the Series 2006 A Notes are Outstanding.

Section 7.12. No Competing Franchise. To the extent allowable by law, the District will not grant or cause, consent to or allow the granting of, any franchise or permit to

any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.13. Enforcement of Collections. The District will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that shall become delinquent to the full extent permitted or authorized by the laws of the State or the rules and regulations of the PSC.

Whenever any fees, rates, rentals or other charges for the services or facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and any rules and regulations promulgated by the PSC applicable thereto, fees, rates, rentals and other charges, if not paid when due, shall become a lien on the premises served by the System. The District further covenants and agrees that it will, to the full extent permitted by law and any rules and regulations promulgated by the PSC applicable thereto, discontinue and shut off the services and facilities of the System to all delinquent users of the services and facilities of the System, and will not restore such services of the System until all delinquent charges for the services and facilities of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid, and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.14. No Free Services. The District will not render or cause to be rendered any free services, of any nature by its System, nor will any preferential rates be established for users of the same class; and, in the event the District or any department, agency, instrumentality, officer or employee of the District shall avail itself or himself or herself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the District and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the District shall transfer from its general funds sufficient sums to pay such charges for service. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance. The District hereby covenants and agrees that so long as the Series 2006 A Notes remain Outstanding, the District shall, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(A) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured immediately upon any portion of the System now in use, on all above-ground insurable portions of the System, including machinery and equipment housed therein, in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the District will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion.

(B) Public Liability Insurance, with limits of not less than \$1,000,000 for personal liability to protect the District from claims for bodily injury and/or death and not less than \$500,000 from claims for damage to property of others which may arise from the operation of the System.

(C) Vehicular Public Liability Insurance, in the event the District owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the District is operated for the benefit of the District, with limits of not less than \$1,000,000 for personal liability to protect the District from claims for bodily injury and/or death and not less than \$500,000 from claims for damage to property of others which may arise from such operation of vehicles.

(D) Fidelity Bonds will be provided as to every member, officer and employee of the District having custody of the Revenue Fund or of any other funds or property of the System in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount required by the Authority and to be increased thereafter as necessary to cover the maximum amount of funds under control of that position at any one time.

(E) Flood Insurance will be obtained by the District if available; however, if the System is located in a community which has been notified as having special flood or mudslide prone areas, flood insurance must be obtained.

Section 7.16. Connections. To the extent permitted by the laws of the State and rules and regulations of the PSC, the District shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

Section 7.17. Funding the Deficiency; Permits and Orders. The District shall operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and State requirements and standards.

The District has obtained all permits required by State and federal laws necessary and the West Virginia Infrastructure and Jobs Development Council necessary for the operation of the System and all approvals for the issuance of the Series 2006 A Notes required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Compliance With Law. The District shall comply with, perform and satisfy all terms and conditions of this Note Legislation and the Act. The District shall comply with all applicable laws, rules and regulations issued by the Authority or other State, federal or local bodies in regard to the operation, maintenance and use of the System.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Registered Owner of the Series 2006 A Notes, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon delivery of the Series 2006 A Notes but shall be junior and subordinate to the statutory mortgage lien in favor of the Registered Owners of the Prior Bonds.

ARTICLE VIII

INVESTMENT OF FUNDS

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Note Legislation, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the District in any Qualified Investments to the fullest extent possible under applicable laws, this Note Legislation, the need for such moneys for the purposes set forth herein and the specified restrictions and provisions set forth in this Section 8.01.

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund". The Commission shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss of such liquidation. The Depository Bank may make any and all investments permitted by this section through its own trust department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments and shall distribute to the District, at least once each year (or more often if requested by the District), a summary of such funds, accounts and investment earnings. The District shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2006 A Notes are outstanding.

Notwithstanding the foregoing, any investments made pursuant to this Note Legislation shall comply with the guidelines of the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2006 A Notes:

(A) If default occurs in the due and punctual payment of the principal of or interest on the Series 2006 A Notes; or

(B) If default occurs in the District's observance of any of the covenants, agreements or conditions on its part relating to the Series 2006 A Notes set forth in this Note Legislation, any supplemental resolution, or in the Series 2006 A Notes, and such default shall have continued for a period of 30 days after the District shall have been given written notice of such default by the Authority or a Registered Owner of the Series 2006 A Notes; or

(C) If the District files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America; or

(D) If default occurs with respect to the Prior Bonds or the Prior Resolutions.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of the Series 2006 A Notes may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding, enforce all rights of such Registered Owners, including the right to require the District to perform its duties under the Act and the Note Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Series 2006 A Notes, (iv) by action at law or bill in equity, require the District to account as if it were the trustee of an express trust for the Registered Owners of the Series 2006 A Notes, and (v) by action or bill in equity, enjoin any acts in violation of the Note Legislation with respect to the Series 2006 A Notes, or the rights of such Registered Owners; provided that, all rights and remedies of the Registered Owners of the Series 2006 A Notes shall be on a parity with the Registered Owners of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of the Series 2006 A Notes may, by proper legal action, compel the performance of the duties of the District under the Note Legislation and the Act, including the completion of the Project, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default, any Registered Owner shall, in addition to all other remedies or rights, have the right, by appropriate legal proceedings, to obtain the appointment of a receiver to administer the System or to complete the Project on behalf of the District, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Notes and any interest thereon, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of the Note Legislation and the Act.

The receiver so appointed shall forthwith, directly or by his agents and attorneys, enter into and upon and take possession of all facilities of the System and shall hold, operate, maintain, manage and control the System, and each and every part thereof, and in the name of the District exercise all the rights and powers of the District with respect to the System as the District itself might do.

Whenever all that is due upon the Notes and interest thereon and under any covenants of the Note Legislation for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Note Legislation shall have been cured and made good, possession of the System shall be surrendered to the District upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of any Notes shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him or her, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the District and for the joint protection and benefit of the District and Registered Owners of the Notes. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System, for the sole purpose of the protection of both the District and Registered Owners, and the curing and making good of any default under the provisions of the Note Legislation, and the title to and ownership of the System shall remain in the District, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF NOTES

Section 10.01. Payment of Notes. If the District shall pay, or there shall otherwise be paid, to the Registered Owners of the Series 2006 A Notes, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Note Legislation, then the pledge of Surplus Revenues and any other moneys and securities pledged under this Note Legislation and all covenants, agreements and other obligations of the District to the Registered Owners shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 10.02. Prepayment. The Notes may be prepaid at any time without penalty.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Modification or Amendment. Prior to the issuance of the Series 2006 A Notes, this Note Legislation may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2006 A Notes, no material modification or amendment of this Note Legislation or of any ordinance or resolution amendatory hereof or supplemental hereto which would materially and adversely affect the rights of Registered Owners of the Series 2006 A Notes shall be made without the consent in writing of the Registered Owners of the Series 2006 A Notes then Outstanding; provided that, no change shall be made in the maturity of the Series 2006 A Notes or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the District to pay such principal and interest out of the revenues of the System without the consent of the Registered Owner thereof. No amendment or modification shall be made which would reduce the percentage of the principal amount of the Series 2006 A Notes required for consent to the above permitted amendments or modifications.

Section 11.02. Note Legislation Constitutes Contract. The provisions of this Note Legislation shall constitute a contract between the District and the Registered Owners of the Series 2006 A Notes and no change, variation or alteration of any kind of the provisions of this Note Legislation shall be made in any manner, except as in this Note Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Note Legislation should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Note Legislation, the Supplemental Resolution and the Series 2006 A Notes.

Section 11.04. Headings, Etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 11.05. Conflicting Provisions Repealed. Except for the Prior Resolutions, all ordinances, resolutions and orders, or parts thereof, in conflict with this Note Legislation are, to the extent of such conflict, repealed; provided that, in the event of any

conflict between this Note Legislation and the Prior Resolutions, the Prior Resolutions shall control (unless less restrictive), so long as the Prior Bonds are Outstanding.

Section 11.06. Covenant of Due Procedure. The District covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the final enactment and passage of this Note Legislation do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, the Secretary and members of the Governing Body were at all times when any actions in connection with this Note Legislation occurred, and are, duly in office and duly qualified for such office.

Section 11.07. Effective Date. This Note Legislation shall take effect immediately following the reading hereof.

Thomas Bowen
Chairman

CERTIFICATION

Certified a true copy of a Note Resolution duly adopted by the Armstrong Public Service District on December 21, 2006.

Dated this 21st day of December, 2006.

 Gordon Wallace
Secretary

[SEAL]

ARMSTRONG PUBLIC SERVICE DISTRICT

MINUTES ON ADOPTION OF NOTES
RESOLUTION AND OTHER DOCUMENTS RELATED TO THE MERGER OF
ARMSTRONG PUBLIC SERVICE DISTRICT AND DEEPWATER PUBLIC
SERVICE DISTRICT

On this 21st day of December, 2006, the undersigned duly appointed Secretary of the Public Service Board of Armstrong Public Service District hereby certifies that the following is a true and correct excerpt of the minutes of a special meeting of said Public Service Board:

The Public Service Board of Armstrong Public Service District met in special session, pursuant to notice duly posted, on the 21st day of December, 2006, in Kimberly, West Virginia, at the hour of 11:00 a.m.

PRESENT:	Thomas Bowen	-	Chairperson and Member
	Judson Wallace	-	Secretary and Member
	David Navarro	-	Member

ABSENT:

Thomas Bowen, Chairperson, presided, and Judson Wallace acted as Secretary. The Chairperson announced that a quorum of members was present and that the meeting was open for any business properly before it.

[Remainder of Page Intentionally Left Blank]

First, the Chairperson presented a proposed Resolution in writing entitled:

A RESOLUTION AUTHORIZING AND RATIFYING THE ACQUISITION OF THE ASSETS OF DEEPWATER PUBLIC SERVICE DISTRICT, THE ASSUMPTION AND RE-DESIGNATION OF THE BONDS OF DEEPWATER PUBLIC SERVICE DISTRICT AND THE EXPANSION OF THE BOUNDARIES OF ARMSTRONG PUBLIC SERVICE DISTRICT

and caused the same to be read and there was discussion. Thereupon, on motion duly made by Mr. Wallace and seconded by Mr. Navarro, it was unanimously ordered that said Resolution be adopted and be in full force and effect on and from the date hereof.

Next, the Chairperson presented a proposed Notes Resolution in writing entitled:

RESOLUTION AUTHORIZING THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$50,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BOND ANTICIPATION NOTES, SERIES 2006 A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH NOTES; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH NOTES; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

and caused the same to be read and there was discussion. Thereupon, on motion duly made by Mr. Wallace and seconded by Mr. Navarro, it was unanimously ordered that said Notes Resolution be adopted and be in full force and effect on and from the date hereof.

There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.

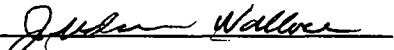
Thomas Bauer
Chairperson

Judith Walker
Secretary

CERTIFICATION

I hereby certify that the foregoing action of ARMSTRONG PUBLIC SERVICE DISTRICT remains in full force and effect and has not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature as of the date first written above.


Secretary

**ARMSTRONG PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND ANTICIPATION NOTES, SERIES 2006 A
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)**

GENERAL CERTIFICATE ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. SIGNATURES AND DELIVERY
6. INCUMBENCY AND OFFICIAL NAME
7. MEETINGS
8. INSURANCE
9. LOAN AGREEMENT
10. SPECIMEN NOTE
11. NOTE PROCEEDS
12. PUBLICATION AND PUBLIC HEARING ON NOTE
RESOLUTION
13. CONFLICTS OF INTEREST
14. COUNTERPARTS

We, the undersigned CHAIRMAN and the undersigned SECRETARY of Armstrong Public Service District in Fayette County, West Virginia (the "District"), and the undersigned ATTORNEY for the District, hereby certify in connection with Armstrong Public Service District Sewer Revenue Bond Anticipation Notes, Series 2006 A (West Virginia Water Development Authority), numbered AR-1, dated the date hereof, in the principal amount of \$50,000 (the "Notes" or the "Series 2006 A Notes"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning set forth in the Note Resolution duly passed by the District on December 21, 2006 (the "Resolution"), and the Loan Agreement between the District and the West Virginia Water Development Authority (the "Authority") dated December 21, 2006 (the "Loan Agreement").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or

affecting in any manner the issuance, sale and delivery of the Notes, the operation of the System, the collection or use of the Gross Revenues, or the pledge and security of the Surplus Revenues for the Notes; nor affecting the validity of the Notes or any provisions made or authorized for the payment thereof; nor questioning the existence of the District or the title of the members or officers of the District or the Governing Body thereof to their respective offices; nor questioning any proceedings of the District taken with respect to the issuance, sale or delivery of the Notes, the operation of the System, the collection or use of the Gross Revenues, or the pledge and security of the Surplus Revenues for the Notes.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the operation of the System and the issuance of the Notes have been duly and timely obtained and remain in full force and effect.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the District since the approval, execution and delivery by the District of the Loan Agreement. The District has met all conditions set forth in the Loan Agreement and will provide the financial, institutional, legal and managerial capabilities necessary to complete the Project.

There are outstanding obligations of the District which will rank senior to the Series 2006 A Notes as to liens, pledge, source of and security for payment, being the Sewer Revenue Bonds, Series 1994 A (Formerly Deep Water Public Service District Sewer Revenue Bonds, Series 1994), Sewer Revenue Bonds, Series 1994 B (Formerly Deep Water Public Service District Sewer Revenue Bonds, Series 1994 B), and Sewer Revenue Bonds, Series 2002 A (collectively, the "Prior Bonds").

The Series 2006 A Notes are payable solely from proceeds of any additional sewerage system revenue bonds or refunding revenue bonds of the District, any grants which the District may receive, any additional bond anticipation notes which the District may issue from time to time upon maturity of this Note and Surplus Revenues of the System. Money from these sources shall be deposited in the Series 2006 A Notes Sinking Fund established under the Resolution for the prompt payment of this Note

5. SIGNATURES AND DELIVERY: The undersigned Chairman and Secretary are the duly elected or appointed, qualified and acting officers of the District as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Notes for the District. The seal impressed upon the Notes and this Certificate is the duly authorized, proper and only seal of the District. On the date hereof, the undersigned Chairman did officially sign all of the Notes, consisting upon original issuance of a single Bond, dated the date hereof, by his or her manual signature; the undersigned

Secretary did officially cause the seal of the District to be affixed upon the Notes and to be attested by his or her manual signature; and the Registrar did officially authenticate and deliver the Notes to a representative of the Authority as the original purchaser of the Notes under the Loan Agreement.

6. **INCUMBENCY AND OFFICIAL NAME:** The proper corporate title of the District is “Armstrong Public Service District.” The District is a public corporation and political subdivision of the State of West Virginia in Fayette County of said State. The Governing Body of the District is its Board, consisting of three Board members, all duly elected or appointed, qualified and acting, whose names are listed below:

<u>Office</u>	<u>Name</u>
Chairman	Thomas Bowen
Secretary	Judson Wallace

The duly appointed and acting Attorney for the District is Lynn B. Pollard, Esquire, of Hamilton Burgess Young & Pollard PLLC, Summersville, West Virginia.

7. **MEETINGS:** All actions, ordinances, resolutions, orders and agreements taken, adopted and entered into by or on behalf of the District in any way connected with the issuance of the Notes were authorized or adopted at meetings of the Governing Body duly and regularly or specifically called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes including Chapter 6, Article 9A of the Code of West Virginia, 1931, as amended, and a quorum of duly elected or appointed, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

8. **INSURANCE:** The District will maintain fire, lightning, vandalism, malicious mischief and extended coverage insurance, public liability insurance, vehicular public liability insurance and any other insurance as is customarily covered with respect to works and properties similar to the System, where applicable, in accordance with the Resolution and the Loan Agreement. All insurance for the System required by the Resolution and the Loan Agreement is in full force and effect.

9. **LOAN AGREEMENT:** As of the date hereof, (i) the representations of the District contained in the Loan Agreement are true and correct in all material respects as if made on the date hereof; (ii) the Loan Agreement does not contain any untrue statements of

material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) to the best knowledge of the undersigned, no event affecting the District has occurred since the date of the Loan Agreement, which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading; and (iv) the District is in compliance with the Loan Agreement.

10. SPECIMEN NOTE: Attached hereto as Exhibit A is a specimen of the Note which is identical in all respects with the Note this day delivered to the Authority and being substantially in the form prescribed in the Resolution.

11. NOTE PROCEEDS: On the date hereof, the Authority delivered the sum of \$50,000 to the West Virginia Municipal Bond Commission on behalf of the District, being the principal amount of the Notes for deposit to the Series 1994 A and Series 1994 B Bonds reserve accounts.

12. CONFLICTS OF INTEREST: No member, officer or employee of the District has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the District or in the sale of any land, materials, supplies or services to the District or to any contractor supplying the District, relating to the Notes, the Resolution, including, without limitation, with respect to the Depository Bank. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

13. COUNTERPARTS: This Certificate may be executed in counterparts and all counterparts shall be deemed to be the Certificate.

[The rest of this page is intentionally left blank.]

WITNESS our signatures and the official corporate seal of Armstrong Public Service District, West Virginia, on this 21st day of December, 2006.

[SEAL]

Signature

Official Title

Thomas Bowen

Chairman

Justin Wallace

Secretary

Justin Pollard

Attorney

EXHIBIT A

See Specimen Note

[Tab No. 8]

HAMILTON, BURGESS, YOUNG & POLLARD, *pllc*

*A Professional Limited Liability Company
Engaged in the Practice of Law*

KEVIN B. BURGESS
RALPH C. YOUNG
LYNN B. POLLARD
CHRISTOPHER B. FROST

Maple Lane
Fayetteville, West Virginia 25840

(304) 574-2727

PAT R. HAMILTON
Retired

P.O. Box 959
Fax 304 574-3709

[F:\APSD\151071 opinion ltr 3-07.wpd]

December 21, 2006

Armstrong Public Service District
Box 156
Kimberly, WV 25118-0156

West Virginia Water Development Authority
180 Association Drive
Charleston, WV 25311

Re: Armstrong Public Service District
Sewer Revenue Bond Anticipation Notes, Series 2006 A
(West Virginia Water Development Authority)

Ladies and Gentlemen:

I am counsel to Armstrong Public Service District in Fayette County, West Virginia (the "District"). As such counsel, I have examined a loan agreement for the above-referenced Notes, dated December 21, 2006, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the District and the West Virginia Water Development Authority (the "Authority"), and a Note Resolution duly passed by the District on December 21, 2006, and other documents relating to the above-referenced Notes (the "Notes"). All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Loan Agreement and the Resolution when used herein.

I am of the opinion that:

1. The District is a duly organized and presently existing public corporation and political subdivision of the State of West Virginia, with full power and authority to operate and maintain the System, to enact the Resolution and to issue the Notes all under the Act and other applicable provisions of law.

2. The Loan Agreement has been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the Authority, constitutes a valid and binding agreement of the District, enforceable in accordance with its terms.

3. The Chairman, Secretary and members of the Board of the District have been duly, lawfully and properly elected or appointed, as applicable, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the District.

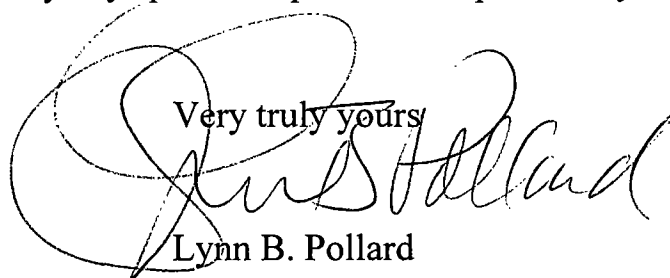
4. The Resolution has been duly adopted and enacted by the District and is in full force and effect.

5. The execution and delivery of the Notes and the Loan Agreement and the consummation of the transactions contemplated by the Notes, the Loan Agreement and the Resolution, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the District, a breach or default under any resolution, order, agreement, document or instrument to which the District is a party or by which the District or its properties are bound or any existing law, regulation, rule, order or decree to which the District is subject.

6. The District has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the District, the issuance of the Notes and the operation of the System.

7. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement, the Notes and the Resolution, the operation of the System, or the validity of the Notes or the collection or pledge of the Surplus Revenues therefor.

All counsel to this transaction may rely upon this opinion as if specifically addressed to them.

Very truly yours

Lynn B. Pollard



1600 LAIDLEY TOWER • P.O. BOX 553 • CHARLESTON, WEST VIRGINIA 25322 • TELEPHONE: 304-340-1000 • TELECOPIER: 304-340-1130
www.jacksonkelly.com

December 21, 2006

West Virginia Water Development Authority
180 Association Drive
Charleston, WV 25311-1571

Re: Deepwater Public Service District Sewer Revenue Bond,
Series 1994 A

Ladies and Gentlemen:

We are transaction counsel for Armstrong Public Service District (the "Issuer"), a public corporation.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of loan agreement dated November 15, 1994, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between Deepwater Public Service District (the "Deepwater"), and the West Virginia Water Development Authority (the "Authority") and (ii) Issuer's resolution and certificate evidencing assumption of Deepwater's Sewer Revenue Bond, Series 1994 A (the "Deepwater Bond").

We have also examined the applicable provisions of Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the Bond Resolution duly adopted by the Issuer on December 21, 2006, (the "Local Act"), pursuant to and under which Local Statute and Local Act the Deepwater Bonds are assumed, and the existing Loan Agreement has been assumed by the Issuer. The Issuer has covenanted to comply with all tax covenants relating to the Deepwater Bonds.

Based upon the foregoing and upon our examination of such other documents as we have deemed necessary, we are of the opinion as follows:

1. The Loan Agreement has been duly assumed by the Issuer and is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof.
2. The Loan Agreement inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Issuer without the consent of the Authority.

{C1157726.1}

3. The Issuer is a duly organized and presently existing public corporation of the State of West Virginia, with full power and authority to acquire by merger the Deepwater's assets and assume the Deepwater Bond and to operate and maintain the System, which now includes the Deepwater's System, referred to in the Loan Agreement and to assume the Deepwater Bonds, all under the Local Statute and other applicable provisions of law.

4. The Issuer has legally and effectively adopted the Local Act and all other necessary resolutions in connection with the assumption of the Deepwater Bond. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Deepwater Bonds are valid and legally enforceable special obligations of the Issuer, payable from the net revenues of the System referred to in the Local Act and secured by a first lien on and pledge of the net revenues of said System, on a parity, with respect to liens, pledge and source of and security for payment with the Issuer's outstanding Series 1994 B Bonds and Series 2002 A Bonds.

6. The Issuer has reserved the right to issue additional bonds ranking on a parity with the Deepwater Bonds, as provided in the Local Act.

7. The interest on the Deepwater Bonds continues to be excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer continue to comply, on a continuing basis, with all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Deepwater Bonds set forth in the Local Act and the Certificate as to Non-Arbitrage and with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Deepwater Bonds in order that interest thereon continue to be excludable from gross income for federal income tax purposes. The Issuer has covenanted to continue to comply with all such requirements. Failure to comply with such certifications, covenants, representations and requirements could cause the interest on the Deepwater Bonds to be includable in gross income retroactive to the date of issuance of the Deepwater Bonds. We express no opinion regarding other federal tax consequences with respect to the Deepwater Bonds.

8. The Deepwater Bonds and the interest thereon are and continue to be, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision, or agency thereof.

It is to be understood that the rights of the holders of the Deepwater Bond and the enforceability of the Bond and the Local Act may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that such enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

A handwritten signature in black ink, appearing to read "Todd Kelly", followed by the letters "PLC" in a stylized, cursive-like font.

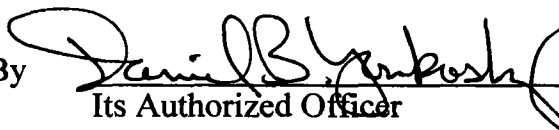
\$50,000
ARMSTRONG PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND ANTICIPATION NOTES, SERIES 2006 A
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

CROSS RECEIPT FOR NOTE AND NOTE PROCEEDS

December 21, 2006

The undersigned, on behalf of the West Virginia Water Development Authority, hereby acknowledges the receipt of the entire issue of Armstrong Public Service District Sewer Revenue Bond Anticipation Notes, Series 2006 A (West Virginia Water Development Authority) (the "Note"), consisting of one fully registered note in the principal amount of \$50,000.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By 
Its Authorized Officer

The undersigned, on behalf of the West Virginia Municipal Bond Commission, hereby acknowledges receipt of \$50,000 from the West Virginia Water Development Authority for deposit into the debt service reserve accounts for the Series 1994 A Bonds and Series 1994 B Bonds assumed by the Armstrong Public Service District.

WEST VIRGINIA MUNICIPAL BOND COMMISSION

By 
Its Executive Director

AR-1



SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
ARMSTRONG PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND ANTICIPATION NOTES, SERIES 2006 A
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

No. AR-1

\$50,000

KNOW ALL MEN BY THESE PRESENTS: That ARMSTRONG PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Fayette County of said State (the "District"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of FIFTY THOUSAND DOLLARS (\$50,000), on March 1, 2010, provided that if this Note is not paid in full on or before March 1, 2010, principal shall be payable as set forth on the "Debt Service Schedule" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest shall run from the original date of delivery of this Note to the Authority and payment therefor, such interest shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2007. Principal installments of this Note if not paid on or before March 1, 2010, are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Note is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of the Secretary of the District, Kimberly, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Note may be redeemed prior to its stated date of maturity in whole at any time.

SPECIMEN

This Note is issued to fund the debt service reserve account deficiency of Deepwater Public Service District in order to complete the merger of Armstrong Public Service District and Deepwater Public Service District. This Note is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Note Resolution duly adopted by the District on December 21, 2006 (the "Note Legislation"), and is subject to all the terms and conditions thereof.

THIS NOTE IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS TO THE DISTRICT'S SEWER REVENUE BONDS, SERIES 1994 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY) (FORMERLY DEEP WATER PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 1994 (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)), SEWER REVENUE BONDS, SERIES 1994 B (WEST VIRGINIA SRF PROGRAM) (FORMERLY DEEP WATER PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 1994 B (WEST VIRGINIA SRF PROGRAM)), AND SEWER REVENUE BONDS, SERIES 2002 A.

This Note is payable solely from proceeds of any additional sewerage system revenue bonds or refunding revenue bonds of the District, any grants which the District may receive, any additional bond anticipation notes which the District may issue from time to time upon maturity of this Note and Surplus Revenues of the System. Money from these sources shall be deposited in the Series 2006 A Notes Sinking Fund established under the Resolution for the prompt payment of this Note.

This Note does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, nor shall the District be obligated to pay the same, except from the sources set forth above. Pursuant to the Resolution, the District has entered into certain covenants with the Authority, for the terms of which reference is made to the Resolution. Remedies provided the Authority are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Note is transferable, as provided in the Note Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Note, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Note, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Note, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the District for the prompt payment of the principal of and interest on this Note.

All provisions of the Note Legislation, resolutions and statutes under which this Note is issued shall be deemed to be a part of the contract evidenced by this Note to the same extent as if written fully herein.

IN WITNESS WHEREOF, ARMSTRONG PUBLIC SERVICE DISTRICT has caused this Note to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Note to be dated December 21, 2006.

[SEAL]

Thomas Bowen
Chairman

ATTEST:

Judith Wallace
Secretary

AR-1

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Note is one of the Series 2006 A Notes described in the within-mentioned Note Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: December 21, 2006.

Secretary of the Armstrong Public Service District
as Registrar

Secretary

Justin Wallace
SPECIMEN

DEBT SERVICE SCHEDULE

SPECIMEN

Date	Principal	Interest	Total P+I
03/01/2007	3,000.00	375.00	3,375.00
06/01/2007	3,000.00	375.00	3,375.00
09/01/2007	3,000.00	375.00	3,375.00
12/01/2007	3,000.00	375.00	3,375.00
03/01/2008	3,000.00	375.00	3,375.00
06/01/2008	3,000.00	375.00	3,375.00
09/01/2008	3,000.00	375.00	3,375.00
12/01/2008	3,000.00	375.00	3,375.00
03/01/2009	3,000.00	375.00	3,375.00
06/01/2009	3,000.00	375.00	3,375.00
09/01/2009	3,000.00	375.00	3,375.00
12/01/2009	3,000.00	375.00	3,375.00
03/01/2010	3,000.00	375.00	3,375.00
06/01/2010	3,000.00	375.00	3,375.00
09/01/2010	3,000.00	375.00	3,375.00
12/01/2010	3,000.00	375.00	3,375.00
03/01/2011	3,000.00	375.00	3,375.00
06/01/2011	3,000.00	375.00	3,375.00
09/01/2011	3,000.00	375.00	3,375.00
12/01/2011	3,000.00	375.00	3,375.00
03/01/2012	3,000.00	375.00	3,375.00
06/01/2012	3,000.00	375.00	3,375.00
09/01/2012	3,000.00	375.00	3,375.00
12/01/2012	3,000.00	375.00	3,375.00
03/01/2013	3,000.00	375.00	3,375.00
06/01/2013	3,000.00	375.00	3,375.00
09/01/2013	3,000.00	375.00	3,375.00
12/01/2013	3,000.00	375.00	3,375.00
03/01/2014	3,000.00	375.00	3,375.00
06/01/2014	3,000.00	375.00	3,375.00
09/01/2014	3,000.00	375.00	3,375.00
12/01/2014	3,000.00	375.00	3,375.00
03/01/2015	3,000.00	375.00	3,375.00
06/01/2015	3,000.00	375.00	3,375.00
09/01/2015	3,000.00	375.00	3,375.00
12/01/2015	3,000.00	375.00	3,375.00
03/01/2016	3,000.00	375.00	3,375.00
06/01/2016	3,000.00	375.00	3,375.00
09/01/2016	3,000.00	375.00	3,375.00
12/01/2016	3,000.00	375.00	3,375.00
03/01/2017	3,000.00	375.00	3,375.00
06/01/2017	3,000.00	375.00	3,375.00
09/01/2017	3,000.00	375.00	3,375.00
12/01/2017	3,000.00	375.00	3,375.00
Total	\$90,000.00	\$18,375.00	\$108,375.00

Yield Statistics

Based Year Dollars	\$234.07
Average Life	3.48 Years
Average Coupon	4.3056409%
Net Interest Cost (NIC)	4.3056409%
True Interest Cost (TIC)	4.3136409%
Based Yield by Arbitrage Purpose	4.3136409%
All Inclusive Cost (AIC)	4.3136409%
IRS Form 8038	
Net Interest Cost	4.3056409%
Weighted Average Maturity	3.48 Years

ASSIGNMENT

SPECIMEN

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____ the within Note and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Note on the books kept for registration of the within Note of the said District with full power of substitution in the premises.

Dated: _____, _____.

In the presence of:

CLOSING MEMORANDUM

To: **Barbara Meadows**
 Daniel B. Yonkosky
 Judson Wallace
 Lynn B. Pollard

From: **Franki Parsons**

Date: **December 21, 2006**

Re: **Armstrong Public Service District Sewer Revenue Bond Anticipation**
 Notes, Series 2006 A (West Virginia Water Development Authority)

1. **DISBURSEMENTS TO MUNICIPAL BOND COMMISSION**

Payor:	West Virginia Water Development Authority
Source:	Supplemental Fund
Amount:	\$50,000
Date:	December 21, 2006
Form:	Wire Transfer
Payee:	West Virginia Municipal Bond Commission
Bank:	Branch Banking & Trust, Charleston, West Virginia ABA 051503394
Account:	5270517317 (Deepwater Public Service District debt service reserve fund)

WEST VIRGINIA MUNICIPAL BOND COMMISSION

Suite 500

8 Capitol Street, Charleston, WV 25301

(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: December 21, 2006

ISSUE: Armstrong Public Service District Sewer Revenue Bond Anticipation Notes, Series 2006 A (West Virginia Water Development Authority)ADDRESS: Box 156, Kimberly, WV 25118-0156 COUNTY: FayettePURPOSE OF ISSUE: New Money ☒
Refunding ☐ Refunds issue(s) dated: _____ISSUE DATE: December 21, 2006 CLOSING DATE: December 21, 2006ISSUE AMOUNT: \$50,000 RATE: 3%1st DEBT SERVICE DUE: March 1, 2007 1st PRINCIPAL DUE: March 1, 20101st DEBT SERVICE AMOUNT: \$291.67 PAYING AGENT: Municipal Bond CommissionISSUER'S COUNSEL: Lynn B. Pollard, Esq.LENDER'S COUNSEL: Jackson Kelly PLLCContact Person: Hamilton Burgess Young
& Pollard PLLCContact Person: Samme L. Gee, Esq.Phone: (304) 574-2727Phone: (304) 340-1318

CLOSING BANK: _____

ESCROW TRUSTEE: _____

Contact Person: _____

Contact Person: _____

Phone: _____

Phone: _____

KNOWLEDGEABLE ISSUER CONTACT:

OTHER: _____

Contact Person: Thomas Bowen

Contact Person: _____

Position: Chairman

Function: _____

Phone: (304) 442-4957

Phone: _____

[DEPOSITS TO MBC AT CLOSE]: _____

Accrued Interest: \$ _____

By ☒ Wire ☒
☐ Check ☐

Capitalized Interest: \$ _____

Reserve Account: \$ 50,000**

Other: _____ \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By _____ Wire _____
_____ Check _____
_____ IGT _____

To Escrow Trustee: \$ _____

To Issuer: \$ _____

To Cons. Invest. Fund \$ _____

To Other: _____ \$ _____

NOTES:

** For deposit to the reserve accounts for the Deepwater Sewer Revenue Bonds, Series 1994 A and Series 1994 B being assumed simultaneously herewith by Armstrong Public Service District.

CONFIRMATORY DEED

THIS CONFIRMATORY DEED, made this 21st day of December, 2006, by Deepwater Public Service District, a public corporation and political subdivision of the State of West Virginia ("Deepwater"), to Armstrong Public Service District, a public corporation and political subdivision of the State of West Virginia ("Armstrong").

WHEREAS, Armstrong is a public service district and public corporation created by Resolution of The County Commission of Fayette County (hereinafter, the "County Commission") and formed pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, Deepwater is a public service district and public corporation and political subdivision created by Resolution of the County Commission and formed pursuant to the provisions of the Act;

WHEREAS, the County Commission adopted a resolution on November 30, 2004, a copy of which is attached hereto, approving the merger of Deepwater and Armstrong, the transfer of the assets of Deepwater to Armstrong, the dissolution of Deepwater and the expansion of the boundaries of Armstrong, subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 04-1946-PSWD-PC, by Final Order entered on May 23, 2005 (final June 12, 2005), a copy of which is attached hereto, approved the merger of Deepwater and Armstrong, dissolution of Deepwater, the expansion of the boundaries of Armstrong, the transfer of the assets of Deepwater to Armstrong, and the assumption of the Deepwater Public Service District's Sewer Revenue Bonds, Series 1994 A, {T0333445.1}

RETURN TO:
 Steven M. Condaras, Esq.
 Jackson Kelly PLLC
 P.O. Box 553
 Charleston, WV 25322

2006
 12/21/06

dated November 15, 1994, issued in the original aggregate principal amount of \$429,000 and the Deepwater Sewer Revenue Bonds, Series 1994 B, issued in the aggregate principal amount of \$37,540 (the "Deepwater Bonds") by Armstrong (collectively, the "Merger"), subject to the approval of the bondholders of the Districts;

WHEREAS, the Public Service Board of Deepwater adopted a resolution on December 21, 2006, a copy of which is attached hereto, following a duly noticed public hearing, approving and ratifying the proposed Merger;

WHEREAS, the Public Service Board of Armstrong adopted a resolution on December 21, 2006, a copy of which is attached hereto, approving and ratifying the proposed Merger;

WHEREAS, the parties hereto are desirous to execute and record this Confirmatory Deed to evidence the transfer of the real property and interests in real property of Deepwater related to its water and sewer utility operations to Armstrong.

NOW, THEREFORE, in consideration of the promises, and other good and valuable considerations; the receipt and sufficiency of which are hereby acknowledged, Deepwater does hereby bargain, sell, assign, transfer, GRANT and CONVEY unto Armstrong all of its right, title and interest in and to any real property and interests in real property, together with the improvements thereon and the appurtenances thereunto belonging, owned and possessed by Deepwater in Fayette County that collectively comprise the Deepwater water and sewer utility operations, including without limitation, those properties and property interests identified on Schedule I attached hereto and made a part hereof.

This conveyance is made subject to all exceptions, limitations, reservations, restrictions, conditions, covenants, easements and rights of way affecting the real property or interests in real property conveyed herein which are contained in prior deeds in the chain of title or otherwise of record in the Office of the Clerk of the County Commission of Fayette County.

Pursuant to W. Va. Code § 11-22-1, this Confirmatory Deed is not subject to excise tax on the privilege of transferring real property for the reason that this is made to and from political subdivisions of the State of West Virginia.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK]

WITNESS the following signature:

DEEPWATER PUBLIC SERVICE DISTRICT

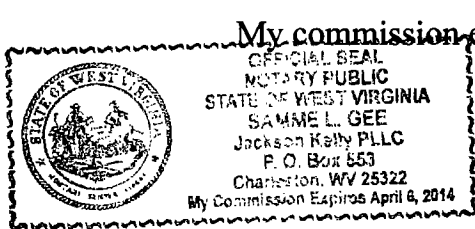
By: Donald White

Its: Chairman

STATE OF WEST VIRGINIA,

COUNTY OF FAYETTE, to-wit:

The foregoing instrument was acknowledged before me this 21st day of December, 2006, by Donald White, Chairman of Deepwater Public Service District.



Samuel L. Gee
Notary Public

This instrument was prepared by Steven M. Condaras, Esq., Jackson & Kelly PLLC, P. O. Box 553, Charleston, WV 25322.

SCHEDULE I

A. Real Property

1. All of that certain tract of land containing 0.2502 of an acre, more or less, conveyed to Deepwater Public Service District by the following deeds dated November 3, 1966:
 - a. from Mertie Bush, et al., recorded in Deed Book 270, at page 145;
 - b. from Wavie Gibson, et. ux., recorded in Deed Book 270, at page 147;
 - c. from Barbara Ann Faux, et. ux., recorded in Deed Book 270, at page 422;
 - d. from Johnny J. Mitchell, et. ux., recording in Deed Book 270, at page 424;
 - e. from Freda L. Perdue, et. ux., recorded in Deed Book 270, at page 425;
 - f. from Mildred Hancock, et. ux., recorded in Deed Book 270, at page 427.
 - g. from Dorothy M. Fauber, et. ux., recorded in Deed Book 270, at page 428;
 - h. from Carol Sue Brogan, et. ux., recorded in Deed Book 270, at page 540;
 - i. from Delbert Mitchell, et. ux., recorded in Deed Book 270, at page 550;
 - j. from Faye Kinder, et. ux., recorded in Deed Book 270, at page 551;
 - k. from Bertie Doss, et. ux., recorded in Deed Book 270, at page 599;
 - l. from Anice Cottingham, et. ux., recorded in Deed Book 271, at page 45;
 - m. from James H. Mitchell, et. ux., recorded in Deed Book 271, at page 168.

2. All of that certain tract of land conveyed to Deepwater Public Service District by Alice Bragg, et ux., by deed dated November 5, 1966 and recorded in Deed Book 270, at page 148.
3. All of that certain tract of land conveyed to Deepwater Public Service District by Jeanne M. Dorshimer, et. ux., by deed dated July 27, 1966, and recorded in Deed Book 270, at page 460.

B. Easements

1. Easement dated October 29, 1996, and recorded in Deed Book 273, at page 10, from Mary Petty to Deepwater Public Service District for a water line easement;
2. Easement dated October 29, 1996, and recorded in Deed Book 273, at page 11, from Lawrence Atha, et. ux. to Deepwater Public Service District for a water line easement;
3. Easement dated October 29, 1996, and recorded in Deed Book 273, at page 12, from Mary Berry to Deepwater Public Service District for a water line easement;
4. Easement dated October 29, 1996, and recorded in Deed Book 273, at page 13, from Willie Mae Bush to Deepwater Public Service District for a water line easement;
5. Easement dated October 29, 1996, and recorded in Deed Book 273, at page 14, from L. L. Richardson, et. ux. to Deepwater Public Service District for a water line easement;
6. Easement dated October 29, 1996, and recorded in Deed Book 273, at page 15, from L. L. Richardson, et. ux. to Deepwater Public Service District for a water line easement;
7. Easement dated October 29, 1996, and recorded in Deed Book 273, at page 16, from Alice M. Rodgers to Deepwater Public Service District for a water line easement;
8. Easement dated October 29, 1996, and recorded in Deed Book 273, at page 17, from Vernell Byers Peoples, et. ux. to Deepwater Public Service District for a water line easement;

9. Easement dated February 6, 1967, and recorded in Deed Book 273, at page 18, from Woodrow Walker, et. ux. to Deepwater Public Service District for a water line easement;
10. Easement dated January 3, 1967, and recorded in Deed Book 273, at page 19, from Naomi Comer granted unto Deepwater Public Service District for a water line easement;
11. Easement dated October 29, 1966, and recorded in Deed Book 273, at page 20, from Fayette – Kanawha Company to Deepwater Public Service District for a water line easement;
12. Easement dated October 29, 1966, and recorded in Deed Book 273, at page 22, from Charles Grigsby, et. ux. to Deepwater Public Service District for a water line easement;
13. Easement dated October 29, 1966, and recorded in Deed Book 273, at page 23, from Lee Curtis Burs to Deepwater Public Service District for a water line easement;
14. Easement dated October 29, 1966, and recorded in Deed Book 273, at page 24, from Clyde Casey, et. ux. to Deepwater Public Service District for a water line easement;
15. Easement dated October 29, 1966, and recorded in Deed Book 273, at page 25, from Mike M. Lononsy, et. ux. to Deepwater Public Service District for a water line easement;
16. Easement dated October 29, 1966, and recorded in Deed Book 273, at page 26, from Harold Workman, et. ux. to Deepwater Public Service District for a water line easement;
17. Easement dated October 29, 1966, and recorded in Deed Book 273, at page 28, from James Tate, et. ux. to Deepwater Public Service District for a water line easement;
18. Easement dated October 29, 1966, and recorded in Deed Book 273, at page 29, from S. E. Comer, et. ux. to Deepwater Public Service District for a water line easement;
19. Easement dated October 29, 1966, and recorded in Deed Book 273, at page 30, from Steve Henry Wilkerson, et. ux. to Deepwater Public Service District for a water line easement;

20. Easement dated October 29, 1966, and recorded in Deed Book 273, at page 31, from Myrtle Gallagher to Deepwater Public Service District for a water line easement;
21. Easement dated April 25, 1992, and recorded in Deed Book 502, at page 362, from Minnie Metheney, by Bettie B. Goehring to Deepwater Public Service District for a sewer line easement;
22. Easement dated April 11, 1992, and recorded in Deed Book 502, at page 366, from Van B. James, et. al. to Deepwater Public Service District for a sewer line easement;
23. Easement dated September 21, 1991, and recorded in Deed Book 502, at page 369, from Frankie L. Casey, et. al. to Deepwater Public Service District for a sewer line easement;
24. Easement dated September 21, 1991, and recorded in Deed Book 502, at page 372, from Frankie L. Casey, et. al. to Deepwater Public Service District for a sewer line easement;
25. Easement dated September 21, 1991, and recorded in Deed Book 502, at page 375, from Robert J. Hartsfield to Deepwater Public Service District for a sewer line easement;
26. Easement dated September 6, 1991, and recorded in Deed Book 502, at page 377, from George William Rogers to Deepwater Public Service District for a sewer line easement;
27. Easement dated September 6, 1991, and recorded in Deed Book 502, at page 379, from Charles F. Rodgers, et al. to Deepwater Public Service District for a sewer line easement;
28. Easement dated September 6, 1991, and recorded in Deed Book 502, at page 381, from Mildred I. McClure to Deepwater Public Service District for a sewer line easement;
29. Easement dated September 21, 1991, and recorded in Deed Book 502, at page 383, from Isaac J. DeRossett, et al. to Deepwater Public Service District for a sewer line easement;

30. Easement dated September 10, 1991, and recorded in Deed Book 502, at page 385, from Bruce W. Ford, et. ux. to Deepwater Public Service District for a sewer line easement;
31. Easement dated September 21, 1991, and recorded in Deed Book 502, at page 387, from Lin A. Banks, et. ux. to Deepwater Public Service District for a sewer line easement;
32. Easement dated September 21, 1991, and recorded in Deed Book 502, at page 389, from Douglas E. Ball, et. ux. to Deepwater Public Service District for a sewer line easement;
33. Easement dated September 7, 1991, and recorded in Deed Book 502, at page 391, from Shirley L. Thomas to Deepwater Public Service District for a sewer line easement;
34. Easement dated October 7, 1991, and recorded in Deed Book 502, at page 393, from William S. Hazelwood, et. ux. to Deepwater Public Service District for a sewer line easement;
35. Easement dated September 7, 1991, and recorded in Deed Book 502, at page 395, from Annette G. Skelton, et. ux. to Deepwater Public Service District for a sewer line easement;
36. Easement dated September 21, 1991, and recorded in Deed Book 502, at page 397, from Michael Comer, et. ux. to Deepwater Public Service District for a sewer line easement;
37. Easement dated September 7, 1991, and recorded in Deed Book 502, at page 399, from Ronnie L. Bragg to Deepwater Public Service District for a sewer line easement;
38. Easement dated September 6, 1991, and recorded in Deed Book 502, at page 401, from Allen Michael Thomas, et. ux. to Deepwater Public Service District for a sewer line easement;
39. Easement dated September 6, 1991, and recorded in Deed Book 502, at page 403, from Allen Michael Thomas, et. ux. to Deepwater Public Service District for a sewer line easement;
40. Easement dated September 7, 1991, and recorded in Deed Book 502, at page 405, from Jeanetta A. Rodgers, et. ux. to Deepwater Public Service District for a sewer line easement;

41. Easement dated September 21, 1991, and recorded in Deed Book 502, at page 407, from George H. Lockman, et. ux. to Deepwater Public Service District for a sewer line easement;
42. Easement dated October 6, 1991, and recorded in Deed Book 502, at page 409, from Shirley M. Wilson to Deepwater Public Service District for a sewer line easement;
43. Easement dated September 7, 1991, and recorded in Deed Book 502, at page 411, from Jimmy L. Edwards, et. ux. to Deepwater Public Service District for a sewer easement;
44. Easement dated September 9, 1991, and recorded in Deed Book 502, at page 413, from Robert E. Wheeler, et. ux. to Deepwater Public Service District for a sewer easement;
45. Easement dated September 8, 1991, and recorded in Deed Book 502, at page 415, from Edna M. Tuck, et. ux. to Deepwater Public Service District for a sewer easement;
46. Easement dated September 7, 1991, and recorded in Deed Book 502, at page 417, from Carol F. Wheeler, et. ux. to Deepwater Public Service District for a sewer easement;
47. Easement dated September 7, 1991, and recorded in Deed Book 502, at page 419, from Ruth Hester to Deepwater Public Service District for a sewer easement;
48. Easement dated September 7, 1991, and recorded in Deed Book 502, at page 421, from Pauline B. Petry to Deepwater Public Service District for a sewer easement;
49. Easement dated September 6, 1999, and recorded in Deed Book 502, at page 423, from Mary L. Mosley to Deepwater Public Service District for a sewer easement;
50. Easement dated September 9, 1991, and recorded in Deed Book 502, at page 425, from James L. Green to Deepwater Public Service District for a sewer easement;

51. Easement dated September 6, 1991, and recorded in Deed Book 502, at page 427, from Leon D. Newman, et. ux. to Deepwater Public Service District for a sewer easement;
52. Easement dated September 9, 1991, and recorded in Deed Book 502, at page 429, from James L. Green to Deepwater Public Service District for a sewer easement;
53. Easement dated September 6, 1991, and recorded in Deed Book 502, at page 431, from James A. Scott, et. ux. to Deepwater Public Service District for a sewer easement;
54. Easement dated September 6, 1991, and recorded in Deed Book 502, at page 433, from Mary E. Banks to Deepwater Public Service District for a sewer easement;
55. Easement dated September 21, 1991, and recorded in Deed Book 502, at page 435, from Bonnie C. Smallman, et. ux. to Deepwater Public Service District for a sewer easement;
56. Easement dated October 5, 1991, and recorded in Deed Book 502, at page 437, from Bonnie C. Smallman, et. ux. to Deepwater Public Service District for a sewer easement;
57. Easement dated September 21, 1991, and recorded in Deed Book 502, at page 439, from Evelyn Smallman to Deepwater Public Service District for a sewer easement;
58. Easement dated September 21, 1991, and recorded in Deed Book 502, at page 441, from Helen I. Young to Deepwater Public Service District for a sewer easement;
59. Easement dated September 21, 1991, and recorded in Deed Book 502, at page 443, from Clarence Bee, et. ux. to Deepwater Public Service District for a sewer easement;
60. Easement dated October 9, 1991, and recorded in Deed Book 502, at page 445, from Jackie M. Bee, et. ux. to Deepwater Public Service District for a sewer easement;
61. Easement dated October 9, 1991, and recorded in Deed Book 502, at page 447, from Jackie M. Bee, et. ux. to Deepwater Public Service District for a sewer easement;

62. Easement dated October 9, 1991, and recorded in Deed Book 502, at page 449, Eloise R. Coleman to Deepwater Public Service District for a sewer easement;
63. Easement dated October 5, 1991, and recorded in Deed Book 502, at page 451, from Allen L. Comer to Deepwater Public Service District for a sewer easement;
64. Easement dated September 6, 1991, and recorded in Deed Book 502, at page 453, from Hubert L. Vanater, et. ux. to Deepwater Public Service District for a sewer easement;
65. Easement dated October 7, 1991, and recorded in Deed Book 502, at page 455, from Virginia Atha, et. ux. to Deepwater Public Service District for a sewer easement;
66. Easement dated September 7, 1991, and recorded in Deed Book 502, at page 457, from Ray E. Lutes, et. ux. to Deepwater Public Service District for a sewer easement;
67. Easement dated September 7, 1991, and recorded in Deed Book 502, at page 459, from Clarence H. McClung, et. ux. to Deepwater Public Service District for a sewer easement;
68. Easement dated April 27, 1992, and recorded in Deed Book 502, at page 461, from John K. Dickinson, et. ux. to Deepwater Public Service District for a sewer easement;
69. Easement dated April 23, 1992, and recorded in Deed Book 502, at page 463, from James H. Burkes, et. ux. to Deepwater Public Service District for a sewer easement;
70. Easement dated May 9, 1992, and recorded in Deed Book 502, at page 465, from Ernest R. Blake, et al. to Deepwater Public Service District for a sewer easement;
71. Easement dated December 7, 1991, and recorded in Deed Book 502, at page 467, from Carol Meddings, et. ux. to Deepwater Public Service District for a sewer easement;

72. Easement dated December 7, 1991, and recorded in Deed Book 502, at page 469, from Audria E. Ingram to Deepwater Public Service District for a sewer easement;
73. Easement dated December 17, 1991, and recorded in Deed Book 502, at page 471, from Jerry L. Jeffries, et. ux. to Deepwater Public Service District for a sewer easement;
74. Easement dated December 7, 1991, and recorded in Deed Book 502, at page 473, from Yodon Properties, Inc. to Deepwater Public Service District for a sewer easement;
75. Easement dated December 26, 1991, and recorded in Deed Book 502, at page 475, from Roy R. Waters to Deepwater Public Service District for a sewer easement;
76. Easement dated December 26, 1991, and recorded in Deed Book 502, at page 477, from Van B. James, et. ux. to Deepwater Public Service District for a sewer easement;
77. Easement dated September 21, 1991, and recorded in Deed Book 502, at page 479, from William S. Sheets to Deepwater Public Service District for a sewer easement;
78. Easement dated December 21, 1991, and recorded in Deed Book 502, at page 481, from Joyce M. Payne, et. ux. to Deepwater Public Service District for a sewer easement;
79. Easement dated December 21, 1991, and recorded in Deed Book 502, at page 483, from Joyce M. Payne, et. ux. to Deepwater Public Service District for a sewer easement;
80. Easement dated December 26, 1991, and recorded in Deed Book 502, at page 485, from William Lockard by Bradley M. Lockard to Deepwater Public Service District for a sewer easement;
81. Easement dated September 21, 1991, and recorded in Deed Book 502, at page 487, from Margaret L. Philpott to Deepwater Public Service District for a sewer easement;
82. Easement dated September 7, 1991, and recorded in Deed Book 502, at page 489, from Alma M. Manley, et. ux. to Deepwater Public Service District for a sewer easement;

83. Easement dated September 21, 1991, and recorded in Deed Book 502, at page 491, from Anamae Moore to Deepwater Public Service District for a sewer easement;
84. Easement dated September 6, 1991, and recorded in Deed Book 502, at page 493, from Dorothy M. Banks to Deepwater Public Service District for a sewer easement;
85. Easement dated January 9, 1992, and recorded in Deed Book 502, at page 495, from Barbara W. Gray to Deepwater Public Service District for a sewer easement;
86. Easement dated January 9, 1992, and recorded in Deed Book 502, at page 497, from Frances R. Miller, et. ux. to Deepwater Public Service District for a sewer easement;
87. Easement dated April 21, 1992, and recorded in Deed Book 502, at page 499, from Anna E. Haning Darby to Deepwater Public Service District for a sewer easement;
88. Easement dated April 21, 1992, and recorded in Deed Book 502, at page 501, from Anna E. Haning Darby to Deepwater Public Service District for a sewer easement;
89. Easement dated April 21, 1992, and recorded in Deed Book 502, at page 503, from Anna E. Haning Darby to Deepwater Public Service District for a sewer easement;
90. Easement dated January 9, 1992, and recorded in Deed Book 502, at page 505, from Donald V. Rhodes, et. ux. to Deepwater Public Service District for a sewer easement;
91. Easement dated April 11, 1992, and recorded in Deed Book 502, at page 507, from Marie F. Gallagher to Deepwater Public Service District for a sewer easement;
92. Easement dated April 11, 1992, and recorded in Deed Book 502, at page 509, from Marie F. Gallagher to Deepwater Public Service District for a sewer easement;

93. Easement dated April 11, 1992, and recorded in Deed Book 502, at page 511, from Marie F. Gallagher to Deepwater Public Service District for a sewer easement;
94. Easement dated April 11, 1992, and recorded in Deed Book 502, at page 513, from Marie F. Gallagher to Deepwater Public Service District for a sewer easement;
95. Easement dated April 27, 1992, and recorded in Deed Book 502, at page 515, from Charles S. Bracken, II to Deepwater Public Service District for a sewer easement;
96. Easement dated September 7, 1991, and recorded in Deed Book 502, at page 517, from Ester Wilkerson to Deepwater Public Service District for a sewer easement;
97. Easement dated September 7, 1991 and recorded in Deed Book 502, at page 519, from Johnnie Lee Burs, et. ux. to Deepwater Public Service District, a sewer easement;
98. Easement dated September 21, 1991 for and recorded in Deed Book 502, at page 521, from Carlton V. Crouder, et. ux. to Deepwater Public Service District for a sewer easement;
99. Easement dated September 7, 1991, and recorded in Deed Book 502, at page 523, from Charles Crowder, et. ux. to Deepwater Public Service District for a sewer easement;
100. Easement dated September 29, 1991, and recorded in Deed Book 502, at page 525, from Rufus Hester to Deepwater Public Service District for a sewer easement;
101. Easement dated September 29, 1991, and recorded in Deed Book 502, at page 527, from Carlton V. Crowder, et. ux. to Deepwater Public Service District for a sewer easement;
102. Easement dated September 29, 1991, and recorded in Deed Book 502, at page 529, from Carlton V. Crowder, et. ux. to Deepwater Public Service District for a sewer easement;
103. Easement dated January 9, 1992, and recorded in Deed Book 517, at page 655, from Clarence Bee, et. ux. to Deepwater Public Service District for a sewer easement.

Oct. 10. 2006 1:09PM FAYETTE CO PROSECUTOR

No. 5214 P. 3

BOOK 626 PAGE 634

IN THE COUNTY COMMISSION OF FAYETTE COUNTY, WEST VIRGINIA

IN RE:

MERGER OF DEEPWATER PUBLIC SERVICE DISTRICT WITH AND INTO ARMSTRONG PUBLIC SERVICE DISTRICT PURSUANT TO ARTICLE 11A OF CHAPTER 16 OF THE CODE OF WEST VIRGINIA, AS AMENDED

ORDER

On this the 30th day of November, 2004, came the Deepwater Public Service District and the Armstrong Public Service District, public corporations, pursuant to a Petition previously filed and an Order setting the date for a public hearing pursuant to notice which was published in the Montgomery Herald, a newspaper of general circulation in Valley District, Fayette County, West Virginia, on November 10, 2004, a copy of said Notice and the Certificate of Publication having been tendered to the Commission on this date, and further pursuant to five notices conspicuously posted within the area of each Public Service District.

Whereupon, Lynn B. Pollard, counsel for the Public Service District moved that the Fayette County Commission approve the merger of Deepwater Public Service District with and into Armstrong Public Service District pursuant to the aforesaid Petition, which Petition contained a legal description of the territory proposed to be encompassed by the merger and enlargement of the boundaries together with a map showing the proposed boundary changes. Lynn B. Pollard informed the Court that the District wished to merge and to enlarge its boundaries to construct, maintain, operate, improve and extend water services within the territory and to serve additional customers more efficiently in the merged area. In addition, the merged districts, so long as funding is approved, intend to eliminate the Deepwater water plant (Armstrong's water plant will supply water to Deepwater, upgrade the water lines for Powellton, Deepwater and Kimberly customers (current lines

ADMITTED TO RECORD
2006 DEC 22 P 12:12
BOOK NO. 626 PAGE NO. 634
FAYETTE COUNTY
CLERK

Oct. 10. 2006 1:09PM FAYETTE CO PROSECUTOR
BOOK 660 PAGE 452

No. 5214 P. 4

are 30 to 50 years old), upgrade the water tanks in Powellton and Deepwater and to provide Fire Protection for Deepwater's community (currently the fire department must come to Adams Village or to the creek for water).

Whereupon, Kenneth L. Eskew, President, inquired as to whether or not there was anyone present who opposed the proposed merger and boundary change and there being no one present in opposition to said change. John H. Lopes, Commissioner, moved for the approval of the merger and boundary change pursuant to the previously filed Petition, and Kenneth L. Eskew, Commissioner, seconded said motion, and after many questions and much deliberation, the President put the question on the motion and the roll being called, the following voted:

Aye: Eskew—aye; Lopes—aye; Wender—absent

Nay: None

Whereupon, the President declared the motion duly carried and said Order duly adopted on motion and vote.

Therefore, it is **ORDERED** that the merger of Deepwater Public Service District with and into Armstrong Public Service District and the boundaries of the same, are hereby enlarged to encompass the following:

BEGINNING at a point in the center of Kanawha River, having a latitude of N 38° 07' 21" and a longitude of W 81° 14' 18", thence S 0.5 miles to a point having a latitude of N 38° 06' 54" and longitude W 81° 14' 18", thence W 0.9 miles to a point having a latitude N 38° 06' 54" and longitude W 81° 15', thence N 60° 36' W 1.6 miles to a point having a latitude N 38° 07' 26", a longitude W 81° 16' 28", thence N 0.5 miles more or less to center of Kanawha River and thence upstream 2.7 miles to beginning, containing 1.5 square miles more or less, and being a part of the Kanawha Magisterial District of Fayette County, West Virginia.

Beginning at a point in the Great Kanawha River approximately 2,000 feet down stream from the mouth of Armstrong Creek, thence up the Great Kanawha River

Oct. 10. 2006 1:09PM

FAYETTE CO PROSECUTOR

No. 5214 P. 5

BOOK 626 PAGE 636

approximately 6,300 feet, thence leaving the river S 32° 45' W. 1,400 feet, N. 57° 15' W. 3,000 feet, S 32° 45' W. 12,000 feet, S 17° 00' W. 4,000 feet, S 39° 45' W. 7,000 feet, S 17° 00' W. 2,000 feet, N. 75° 00' W. 6,000 feet, S 17° 00' W. 4,300 feet, S 1° 15' W. 4,300 feet, N. 82° 45' W. 2,000 feet, N. 1° 15' E. 5,000 feet, N. 17° 00' E. 16,000 feet, N. 32° 45' E. 7,000 feet, N. 57° 15' W. 3,000 feet, N. 32° 45' E. 2,000 feet, N. 57° 15' E. 3,000 feet, N. 32° 45' E. 6,300 feet to place of beginning, comprising the communities of Mt. Carbon, Kimberly, Columbia, Jenkins Fork, Elk Ridge and Powellton."

All territory encompassed by the proposed merger of Deepwater Public Service District with and into Armstrong Public Service District and the proposed enlargement is in the county of Fayette, West Virginia. The purpose for the expansion of the boundaries and merger of the public service districts is to extend water service within such territory and outside of such territory to the extent permitted by law as well as the other purposes as stated herein. The merged District shall have 5 commissioners.

It is ORDERED that a certified copy of this Order be sent to the Public Service Commission pursuant to West Virginia Code 16-13A-2 and also a copy to the County Commission of Fayette County.

James H. [Signature]
PRESIDENT

John H. [Signature]
COMMISSIONER
John H. [Signature]
COMMISSIONER

ATTEST: *Kevin Holliday*
CLERK

10/10/2006 1:09PM FAYETTE CO PROSECUTOR

No. 5214 P. 22

RECEIVED
9-19-06

IN THE COUNTY COMMISSION OF FAYETTE COUNTY, WEST VIRGINIA

IN RE:

MERGER OF DEEPWATER PUBLIC SERVICE DISTRICT WITH AND
INTO ARMSTRONG PUBLIC SERVICE DISTRICT PURSUANT TO
ARTICLE 13A OF CHARTER 16 OF THE CODE OF WEST VIRGINIA,
AS AMENDED

WHEREAS, the Deepwater Public Service District was created to provide both water and sewerage services by order dated March 6, 1963 and entered to record by the County Commission of Fayette County; and

WHEREAS, the intent of the merger of Deepwater Public Service District with and into Armstrong Public Service District pursuant to Article 13A of Chapter 16 of the Code of West Virginia, as amended, was to include both water and sewerage services; and

WHEREAS, by Order Dated July 26, 2005 and entered by the Public Service Commission of West Virginia and received in this office on September 1, 2005, the County Commission of Fayette County was requested to clarify that the merger of Deepwater Public Service District into Armstrong Public Service District necessarily includes the sewer system of Deepwater;

NOW THEREFORE BE IT HEREBY RESOLVED AND ORDERED that the merger of Deepwater Public Service District with and into Armstrong Public Service District as ordered by the County Commission of Fayette County on November 30, 2004, necessarily includes the sewer system of Deepwater.

Entered to record this 16th day of September, 2005.

County Commission of Fayette County


Matthew D. Waulter, President


John H. Lopez, Commissioner


Kenneth L. Makew, Commissioner

041946a1j052305.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**ENTERED**Order Book 05-WEntered: May 23, 2005**ORIGINAL**

CASE NO. 04-1946-PSWD-PC

FAYETTE COUNTY COMMISSIONPetition for consent and approval to
merge Deepwater Public Service District
into Armstrong Public Service District**FINAL**6-12-05**RECOMMENDED DECISION**

On December 3, 2004, the Fayette County Commission (County Commission) filed a petition for the approval of its Order of November 30, 2004, for consent and approval to merge the Deepwater Public Service District (Deepwater) with and into the Armstrong Public Service District (Armstrong), in accordance with West Virginia Code §16-13A-2.

On December 30, 2004, Staff filed its First Set of Interrogatories, Data Requests or Requests for Information upon the Fayette County Commission.

Also on December 30, 2004, Staff Attorney Cassius H. Toon filed an Initial Joint Staff Memorandum, to which was attached the Initial Internal Memorandum prepared by Ms. Karen L. Buckley, Utilities Analyst II, Water and Wastewater Division. Staff explained that the petition in this case seeks approval to merge Deepwater with and into Armstrong, in accordance with West Virginia Code §16-13A-2. Armstrong wishes to enlarge its boundaries to construct, maintain, operate, improve and extend water services within the territory and to serve additional customers more efficiently in the merged area. The County Commission's petition addresses only water service.

In accordance with the Code, the County Commission held a public hearing on November 30, 2004. Notice of the hearing was published in The Montgomery Herald on November 10, 2004. The County Commission determined that the merger of Deepwater and the taking over of Deepwater's public service properties by Armstrong will be conducive to the public health, comfort and convenience of the customers. As long as funding is approved, the merged districts intend to eliminate the Deepwater water plant (Armstrong's water plant will supply water to Deepwater); upgrade the water lines for Powellton, Deepwater and Kimberly customers, which are currently thirty to fifty years old; upgrade the water tanks to Powellton and Deepwater; and provide fire protection for Deepwater. Currently, the Fire Department must come to Adena Village or to the creek for water. Staff indicated that it would file its final recommendation following the receipt of three items of information from the Districts, which were the subject of Staff's Interrogatories. Staff further

recommended that the matter be referred to the Division of Administrative Law Judges.

On January 5, 2005, the District submitted the information requested by Staff in its Interrogatories.

By Order dated January 12, 2005, this matter was referred to the Division of Administrative Law Judges for a decision to be rendered on or before July 1, 2005.

On February 7, 2005, Staff Attorney Toon filed a Further Joint Staff Memorandum, to which was attached the Internal Memorandum prepared by Ms. Buckley. Deepwater has outstanding bonds that have not been retired. According to West Virginia Code §16-13A-18a,

In the event of any such sale, the proceeds thereof, if any, remaining after payment of all outstanding bonds and other obligations of the district, shall be ratably distributed to any persons who have made contributions in aid of construction of such water ... system, such distribution not to exceed the actual amount of any such contribution, without interest, and any balance of funds thereafter remaining shall be paid to the county commission of the county in which the major portion of such water ... system is located to be placed in the general funds of such county commission.

Staff indicated that it could not file its final recommendation until it received a copy of the petition filed by the County Commission and proof that the bondholder of the Deepwater Public Service District has been made aware of the sale of Deepwater to the Armstrong Public Service District and whether that bondholder approves of the sale.

On February 9, 2005, the District submitted information requested by Commission Staff.

On April 1, 2005, Staff Attorney Toon filed a Final Joint Staff Memorandum, to which was attached the Final Internal Memorandum prepared by Ms. Buckley. Staff explained that copies of the Minutes from both Districts agreeing to the merger were filed with the Commission; however, according to Armstrong's Minutes, the County Commission agreed to the merger with a stipulation that the rates of both Districts should not have to increase as a result of the merger, so as not to create an undue hardship on either Districts' customers. Staff noted that, in Case No. 00-0567-PSD-19A, Staff had expressed serious concerns regarding the viability of Deepwater's utility operations as a whole, since Deepwater is in a low-income area and customers have a hard time paying for both water and sewer service. In that case, according to Staff, water consumption had decreased since the inception of the sewer system, due to low-income customers of the District having to pay a sewer bill in addition to a water bill. Staff recommended that the District approach the Fayette County Commission to consolidate both its water and sewer systems into another District in Fayette County. The Administrative Law Judge then ordered Deepwater to discuss the possibility of its consolidation with another Fayette County district with the Fayette County Commission. This petition is a result of that recommendation. Staff has

been made aware that the Fayette County Commission is working on the merger of Deepwater into Armstrong for the purpose of providing sewer service.

Staff recommended approval, contingent on bondholder approval, of the petition to merge Deepwater Public Service District with and into Armstrong Public Service District in order to provide water service to Deepwater's customers. Staff further recommended approval of Armstrong's boundary adjustments to construct, maintain, operate, improve and extend water service within the territory and to serve additional customers more efficiently in the merged area.

By Procedural Order dated April 19, 2005, this matter was set for hearing to be held in the Fayette County Courthouse, County Commission Chambers, Fayetteville, West Virginia, on May 12, 2005. Said Order also required the Fayette County Commission to give notice of the hearing to be held on May 12, 2005, by publishing a Notice of Hearing, once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Fayette County. The Fayette County Commission was also directed to be prepared to submit at the hearing evidence that the Water Development Authority (WDA), the bondholder for Deepwater Public Service District, was in agreement with the merger.

The hearing was held as scheduled. The Fayette County Commission was represented by its Administrator, Ms. Charlotte Holley, and its counsel, Ms. Lynn B. Pollard, Esquire. Commission Staff was represented by Staff Attorney Leslie Anderson, Esquire. Also present was Mr. Leon Newman, Chairman of the Deepwater Public Service District.

No one appeared in protest to the application. (See, Tr., p. 6). The County Commission submitted a proper affidavit of publication reflecting that publication of the Notice of Hearing had been made in accordance with the Commission's requirements. (See, affidavit in case file).

At the hearing, Commission Staff introduced Staff Exhibit Nos. 1 through 7, which document the Fayette County Commission's action in this case and the Staff recommendation, (See, Tr., pp. 6-8; Staff Exh. Nos. 1 through 7). The Fayette County Commission did not have evidence that the WDA is in agreement with the merger. (See, Tr., pp. 8-9). Staff recommended approval of the merger, conditioned upon the Fayette County Commission following up and getting Bondholder approval, since no time frame was evidenced. (Tr., pp. 8-9; Staff Exh. No. 1).

Mr. Leon Newman, Chairman of the Deepwater Public Service District, represented that Deepwater is a small community of 150 customers and Deepwater pays \$2,825 per month for a loan which resulted from a loan consolidation and, in order to alleviate the loan, Deepwater is paying an extra \$500 per month. Mr. Newman did not believe there was going to be any difficulty meeting the loan as the total owed is approximately \$13,000, and it would be met in an expedient manner. Because of the uncertainty in the time needed to get bondholder approval, Staff recommended that the approval be granted contingent upon the District submitting the approval of the WDA to the merger and sale of the District. (Tr., pp. 10 and 11; Staff Exh. No. 1).

No further evidence was presented and, since the case was unopposed, the matter was submitted for a decision.

FINDINGS OF FACT

1. The Fayette County Commission filed a petition seeking approval of its Order of November 30, 2004, for consent and approval to merge the Deepwater Public Service District with and into the Armstrong Public Service District, in accordance with West Virginia Code §16-13A-2. (See, Petition filed December 3, 2004).

2. This matter was set for hearing to be held in Fayette County on May 12, 2005. Said Order required the Fayette County Commission to give notice of the hearing to be held by publishing a Notice of Hearing in Fayette County. (See, Procedural Order dated April 19, 2005).

3. The Deepwater Public Service District has outstanding bonds from the Water Development Authority (WDA) that have not been paid. (See Further Final Joint Staff Memorandum filed February 7, 2005; Tr. pp. 10-11).

4. Staff recommended approval of the merger of Deepwater into Armstrong and of Armstrong's boundary adjustments to construct, maintain, operate and improve and extend water service within the territory to serve additional customers, contingent upon the WDA's approval of the merger of the Deepwater Public Service District with and into the Armstrong Public Service District. (See, Final Joint Staff Memorandum filed April 1, 2005; Staff Exhibit No. 1).

5. A proper affidavit of publication was submitted reflecting that publication of the Notice of Hearing was made in accordance with the Commission's requirements. (See, affidavit in case file).

6. At the hearing held on May 12, 2005, no one appeared in protest to the petition. (See, Tr., p. 6).

7. The Fayette County Commission did not submit a letter from the WDA indicating approval of the merger, but advised that action was being taken by the District to solve this indebtedness. (See, Tr., pp. 8, 9, 10).

CONCLUSIONS OF LAW

1. Since Commission Staff has reviewed the petition of the Fayette County Commission for approval of the merger of Deepwater Public Service District into the Armstrong Public Service District and recommended approval and since the petition was unopposed at the hearing held on May 12, 2005, but the Fayette County Commission did not provide a letter of agreement from the WDA to the merger, the merger should be approved contingent upon submission of the proper documentation from the WDA approving the merger.

2. No actions can be taken by the Fayette County Commission to effectuate this merger until the letter of approval from the WDA is received by the Public Service Commission.

ORDER

IT IS, THEREFORE, ORDERED that the Fayette County Commission's Order of November 30, 2004, merging Deepwater Public Service District with and into the Armstrong Public Service District and expanding the boundaries of Armstrong Public Service District with regard to the provision of water service, be, and the same hereby is, approved, contingent upon the prior submission by the Fayette County Commission of approval by the Water Development Authority of the merger, since it holds the outstanding bonds of Deepwater Public Service District.

The Executive Secretary is hereby ordered to serve a copy of this order upon the Commission by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary of the Commission within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

If no exceptions are so filed this order shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's Order by filing an appropriate petition in writing with the Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.


Robert W. Glass
Administrative Law Judge

RWG:dfs/mal
041946aa.wpd

DEEPWATER PUBLIC SERVICE DISTRICT

A RESOLUTION AUTHORIZING AND RATIFYING THE
TRANSFER OF THE ASSETS OF DEEPWATER PUBLIC
SERVICE DISTRICT, THE ASSIGNMENT OF THE BONDS
OF DEEPWATER PUBLIC SERVICE DISTRICT TO
ARMSTRONG PUBLIC SERVICE DISTRICT AND THE
DISSOLUTION OF DEEPWATER PUBLIC SERVICE
DISTRICT

WHEREAS, Deepwater Public Service District (hereinafter "Deepwater") is a public service district and public corporation created by Resolution of The County Commission of Fayette County (hereinafter, the "County Commission") and formed pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, Armstrong Public Service District (hereinafter "Armstrong") is a public service district and public corporation created by Resolution of the County Commission and formed pursuant to the provisions of the Act;

WHEREAS, the Public Service Board of Deepwater adopted a resolution on December 21, 2006, following a duly noticed public hearing, authorizing the transfer of the assets of Deepwater to Armstrong and the assumption of the Deepwater Public Service District Sewer Revenue Bonds, Series 1994 A, dated November 15, 1994, issued in the original aggregate principal amount of \$479,000 (the "Series 1994 A Bonds") and the Deepwater Public Service District Sewer Revenue Bonds, Series 1994 B, dated November 15, 1994, issued in the original aggregate principal amount of \$37,540 (the "Series 1994 B Bonds," and together with the Series 1994 A Bonds, the "Deepwater Bonds") by Armstrong;

WHEREAS, the County Commission adopted a resolution on November 30, 2004, approving the dissolution of Deepwater, expanding the boundaries of Armstrong, the transfer of the assets of Deepwater to Armstrong, subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 04-1946-PSWD-PC, by Final Order entered on May 23, 2005 (final June 12, 2005), approved the dissolution of Deepwater, the expansion of the boundaries of Armstrong, the transfer of the assets of Deepwater to Armstrong and the assumption of the Deepwater Bonds by Armstrong (collectively, the "Transfer and Assignment"), subject to the approval of the bondholders of the Districts;

WHEREAS, the West Virginia Water Development Authority, as the holder of the Deepwater Bonds heretofore issued by Deepwater will consent to the acquisition of the assets of Deepwater by Armstrong, the assumption of the Deepwater Bonds by Armstrong and the dissolution of Deepwater if the debt service reserve funds are fully funded and the coverage and parity tests are met;

WHEREAS, The County Commission of Fayette County plans to adopt a resolution on January 5, 2007, approving and ratifying the proposed Transfer and Assumption, the dissolution of Deepwater and the expansion of the boundaries of Armstrong;

WHEREAS, the Board of Armstrong plans to adopt a resolution on December 21, 2006, approving and ratifying the proposed Transfer and Assumption;

WHEREAS, contemporaneously with the transfer of the assets of Deepwater to Armstrong, Deepwater desires to assign, and Armstrong desires to assume all liabilities for and obligations under the Deepwater Bonds; and

WHEREAS, it is in the best interest of the customers of Armstrong and Deepwater to complete the proposed Transfer and Assumption, to convey all assets, rights, privileges, immunities and powers of Deepwater to Armstrong, for Armstrong to assume and re-designate the Deepwater Bonds, for Deepwater to be dissolved and for the boundaries of Armstrong to be expanded to include the boundaries of Deepwater.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF DEEPWATER PUBLIC SERVICE DISTRICT, FAYETTE COUNTY, WEST VIRGINIA AS FOLLOWS:

1. Deepwater does hereby authorize and ratify the transfer of the assets of Deepwater to Armstrong, the assumption of the Deepwater Bonds by Armstrong and the dissolution of Deepwater.
2. That, immediately following the consummation of the Transfer and Assumption on or about December 21, 2006, Deepwater shall be dissolved.
3. The Chairman and Secretary of Deepwater are hereby authorized and directed to execute all documents concerning the Transfer and Assumption, specifically including, but not limited to, the assumption of the Deepwater Bonds and the execution of a deed and bill of sale to Armstrong.
4. The Chairman and Secretary of Deepwater are hereby authorized and directed to execute all documents concerning the dissolution of Deepwater.

5. The Chairman and Secretary of Deepwater are vested with the appropriate authority to take any and all actions necessary to complete Transfer and Assumption and the dissolution of Deepwater.

6. This Resolution shall become effective immediately upon adoption hereof.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

Adopted by the Public Service Board of Deepwater Public Service District at a meeting held on the 21st day of December, 2006.

DEEPWATER PUBLIC SERVICE DISTRICT

[SEAL]

Donald White
Chairman

Velma Newman
Secretary

ARMSTRONG PUBLIC SERVICE DISTRICT

A RESOLUTION AUTHORIZING AND RATIFYING THE
ACQUISITION OF THE ASSETS OF DEEPWATER PUBLIC
SERVICE DISTRICT, THE ASSUMPTION AND RE-
DESIGNATION OF THE BONDS OF DEEPWATER PUBLIC
SERVICE DISTRICT AND THE EXPANSION OF THE
BOUNDARIES OF ARMSTRONG PUBLIC SERVICE
DISTRICT

WHEREAS, Armstrong Public Service District (hereinafter "Armstrong") is a public service district and public corporation created by Resolution of The County Commission of Fayette County (hereinafter, the "County Commission") and formed pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, Deepwater Public Service District (hereinafter "Deepwater") is a public service district and public corporation and political subdivision created by Resolution of the County Commission and formed pursuant to the provisions of the Act;

WHEREAS, the Public Service Board of Deepwater adopted a resolution on December 21, 2006, following a duly noticed public hearing, authorizing the transfer of the assets of Deepwater to Armstrong and the assumption of the Deepwater Public Service District's Sewer Revenue Bonds, Series 1994 A, dated November 15, 1994, issued in the original aggregate principal amount of \$429,000 and the Deepwater Sewer Revenue Bonds, Series 1994 B, issued in the aggregate principal amount of \$37,540 (the "Deepwater Bonds") by Armstrong;

WHEREAS, the County Commission adopted a resolution on November 30, 2004, approving the transfer of the assets of Deepwater to Armstrong, the dissolution of Deepwater and the expansion of the boundaries of Armstrong, subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 04-1946-PSWD-PC, by Final Order entered on May 23, 2005 (final June 12, 2005), approved the dissolution of Deepwater, the expansion of the boundaries of Armstrong, the transfer of the assets of Deepwater to Armstrong, and the assumption of the Deepwater Bonds by Armstrong (collectively, the "Transfer and Assignment"), subject to the approval of the bondholders of the Districts;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 06-0755-PSWD-PC, by Final Order and Commission Order entered on July 10, 2006, approved the borrowing of funds by Armstrong to finalize the merger with Deepwater;

WHEREAS, the West Virginia Water Development Authority, as the holder of Deepwater Bonds has consented to the acquisition of the assets of Deepwater by Armstrong, the assumption of the Deepwater Bonds by Armstrong and the dissolution of Deepwater if the debt service reserve funds for the Deepwater Bonds have been fully funded and the parity and coverage tests have been met;

WHEREAS, the Board of Deepwater adopted a resolution on December 21, 2006, approving and ratifying the proposed Transfer and Assumption and the dissolution of Deepwater;

WHEREAS, contemporaneously with the acquisition of the assets of Deepwater by Armstrong, Deepwater desires to assign, and Armstrong desires to assume all liabilities for and obligations under the Deepwater Bonds;

WHEREAS, contemporaneously with the assumption of the Deepwater Bonds, Armstrong desires to re-designate the Deepwater Bonds as sewer revenue bonds of Armstrong;

WHEREAS, contemporaneously with the Transfer and Assumption, Armstrong will issue a Bond Anticipation Notes (the "BAN") to the West Virginia Water Development Authority, in an amount not to exceed \$50,000 to replenish the debt service reserve funds for the Deepwater Bonds; and

WHEREAS, it is in the best interest of the customers of Armstrong and Deepwater to complete the proposed Transfer and Assumption, to convey all assets, rights, privileges, immunities and powers of Deepwater to Armstrong, for Armstrong to assume and re-designate the Deepwater Bonds, for Deepwater to be dissolved, for the boundaries of Armstrong to be expanded to include the boundaries of Deepwater and for Armstrong to issue the BAN.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF ARMSTRONG PUBLIC SERVICE DISTRICT, FAYETTE COUNTY, WEST VIRGINIA AS FOLLOWS:

1. Armstrong does hereby authorize the acquisition of the assets of Deepwater by Armstrong, the assumption of the Deepwater Bonds, the issuance of the BAN and the re-designation of the Deepwater Bonds as bonds of Armstrong.

2. Armstrong does hereby authorize and ratify the assumption of all liabilities, rights, responsibilities and obligations in connection with the Deepwater Bonds, specifically including, but not limited to, those liabilities, rights, responsibilities and obligations set forth in the Bond Resolutions adopted by the Board of Deepwater on November 10, 1994, authorizing the Deepwater Bonds, said resolutions are attached hereto as Exhibit A and incorporated herein by reference and the Loan Agreement between Deepwater and the West Virginia Water Development Authority (the "Authority") dated November 15, 2004 and the Loan Agreement between Deepwater, the Authority and the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment ("DEP") dated August 30, 2004, attached hereto as Exhibit B and incorporated herein by reference.

3. Upon the assumption of the Deepwater Bonds by Armstrong, such bonds shall be re-designated as follows:

Armstrong Public Service District Sewer Revenue Bonds, Series 1994 A (Formerly Deepwater Public Service District Sewer Revenue Bonds, Series 1994 A)

Armstrong Public Service District Sewer Revenue Bonds, Series 1994 B (Formerly Deepwater Public Service District Sewer Revenue Bonds, Series 1994 B)

4. That, immediately following the consummation of the Transfer and Assumption as of the close of business on December 21, 2006, the boundaries of Armstrong shall be expanded to include the boundaries of Deepwater.

5. The Chairman and Secretary of Armstrong are hereby authorized and directed to execute all documents concerning the Transfer and Assumption, specifically including, but not limited to, the assumption of the Deepwater Bonds, the re-designation of the Deepwater Bonds as sewer revenue bonds of Armstrong and the closing of the BAN.

6. The Chairman and Secretary of Armstrong are hereby authorized and directed to execute all documents concerning the expansion of the boundaries of Armstrong to include the boundaries of Deepwater.

7. The Chairman and Secretary of Armstrong are vested with the appropriate authority to take any and all actions necessary to complete Transfer and Assumption.

8. The statutory mortgage liens of the Deepwater Bonds are hereby assumed by Armstrong and are a valid lien against the System as of the date of assumption, on a parity with one another and with Armstrong's other first lien bonds.

9. This Resolution shall become effective immediately upon adoption hereof.

[Remainder of Page Intentionally Left Blank]

Adopted by the Public Service Board of Armstrong Public Service District at a meeting held on the 21st day of December, 2006.

ARMSTRONG PUBLIC SERVICE DISTRICT

[SEAL]

Thomas Bowen
Chairman

Judith Wallace
Secretary

FAYETTE COUNTY, WV
FILED
December 22, 2006 00:00:00

KELVIN E. HOLLIDAY
COUNTY CLERK
TRANSACTION NO: 2006511152

DEED BOOK
Book: 00626 Page: 00619
Line: 00001



CONFIRMATORY BILL OF SALE

2800
31.00
23

THIS CONFIRMATORY BILL OF SALE dated the 21st day of December, 2006, by and between Deepwater Public Service District, a public corporation and political subdivision of the State of West Virginia (hereinafter "Deepwater") and Armstrong Public Service District, a public corporation and political subdivision of the State of West Virginia (hereinafter "Armstrong").

WHEREAS, Armstrong is a public service district and public corporation created by Resolution of The County Commission of Fayette County (hereinafter, the "County Commission") and formed pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, Deepwater is a public service district and public corporation and political subdivision created by Resolution of the County Commission and formed pursuant to the provisions of the Act;

WHEREAS, the County Commission adopted a resolution on November 30, 2004, a copy of which is attached hereto, approving the merger of Deepwater and Armstrong, the transfer of the assets of Deepwater to Armstrong, the dissolution of Deepwater and the expansion of the boundaries of Armstrong, subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 04-1946-PSWD-PC, by Final Order entered on May 23, 2005 (final June 12, 2005), a copy of which is attached hereto, approved the merger of Deepwater and Armstrong, dissolution of Deepwater, the expansion of the boundaries of Armstrong, the transfer of the assets of Deepwater to

{T0333448.1}

RETURN TO:
Steven M. Cummings, Esq.
Jackson Kelly PLLC
P. O. Box 60
Charleston, WV 25322

Armstrong, and the assumption of the Deepwater Public Service District's Sewer Revenue Bonds, Series 1994 A, dated November 15, 1994, issued in the original aggregate principal amount of \$429,000 and the Deepwater Sewer Revenue Bonds, Series 1994 B, issued in the aggregate principal amount of \$37,540 (the "Deepwater Bonds") by Armstrong (collectively, the "Merger"), subject to the approval of the bondholders of the Districts;

WHEREAS, the Public Service Board of Deepwater adopted a resolution on December 21, 2006, a copy of which is attached hereto, following a duly noticed public hearing, approving and ratifying the proposed Merger;

WHEREAS, the Public Service Board of Armstrong adopted a resolution on December 21, 2006, a copy of which is attached hereto, approving and ratifying the proposed Merger;

WHEREAS, the parties hereto are desirous to execute and record this Bill of Sale to evidence the transfer of the real property and interests in real property of Deepwater related to its water and sewer utility operations to Armstrong.

WHEREAS, the parties hereto are desirous to execute and record this Confirmatory Bill of Sale to evidence the transfer of all of the personal property, tangible and intangible, and interest in personal property owned by Deepwater related to its water and sewer utility operations to Armstrong.

NOW, THEREFORE, in consideration of the merger and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged Deepwater does

hereby bargain, grant, sell, assign, transfer, convey, set over and deliver to Armstrong all of its personal property associated with operation of the Deepwater water and sewer utility system, including without limitation:

- (a) All pipelines, pumps, water mains of every kind, fire hydrants, pumping stations, meters and services, valves, water tanks, water storage facilities, fittings, casing pipe wells, water and waste treatment buildings, and any other physical assets, facilities and equipment included within or constituting a part of the Deepwater water and sewer operations, together with all franchises, licenses, permits, certificates of convenience and necessity and other grants of authority to operate and maintain the Deepwater water and sewer operations;
- (b) All inventory, supplies, equipment, vehicles, furniture, fixtures, furnishings, improvements;
- (c) All books and records (including, without limitation, correspondence, customer lists, and financial records), maps, plans, contracts, causes of action, indemnification agreements, ledgers and permits and similar documents and records, or copies thereof, relating specifically to the operation of the Deepwater water and sewer utility system;

- (d) All deposits, accounts receivable, certificate of deposits from customers of Deepwater for water and sewer services and any other evidence of indebtedness of a third party to Deepwater.
- (e) All other tangible and intangible personal property, and any interest in personal property owned by Deepwater, wherever located and of whatever nature.

Deepwater shall deliver possession of the aforesaid personal property to Armstrong on the date of this Bill of Sale.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Deepwater Public Service District has caused this instrument to be executed by its duly authorized officer as of the 21st day of December, 2006.

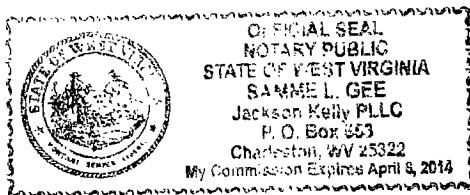
**DEEPWATER PUBLIC SERVICE
DISTRICT**

By: Donald White
Its: Chairman

STATE OF WEST VIRGINIA,
COUNTY OF FAYETTE, to-wit:

The foregoing instrument was acknowledged before me this 21st day of December, 2006, by Donald White, Chairman of Deepwater Public Service District, on behalf of said public service district.

My commission expires April 4, 2014.



[Signature]
Notary Public

This instrument prepared by Steven M. Condaras, Esquire, Jackson Kelly PLLC, 1600 Laidley Tower, P. O. Box 553, Charleston, West Virginia 25322.

Oct. 10. 2006 1:09PM FAYETTE CO PROSECUTOR

No. 5214 P. 3

BOOK 626 PAGE 657

IN THE COUNTY COMMISSION OF FAYETTE COUNTY, WEST VIRGINIA**IN RE:****MERGER OF DEEPWATER PUBLIC SERVICE DISTRICT WITH AND
INTO ARMSTRONG PUBLIC SERVICE DISTRICT PURSUANT TO
ARTICLE 13A OF CHAPTER 16 OF THE CODE OF WEST VIRGINIA,
AS AMENDED****ORDER**

On this the 30th day of November, 2004, came the Deepwater Public Service District and the Armstrong Public Service District, public corporations, pursuant to a Petition previously filed and an Order setting the date for a public hearing pursuant to notice which was published in the Montgomery Herald, a newspaper of general circulation in Valley District, Fayette County, West Virginia, on November 10, 2004, a copy of said Notice and the Certificate of Publication having been tendered to the Commission on this date, and further pursuant to five notices conspicuously posted within the area of each Public Service District.

Whereupon, Lynn B. Pollard, counsel for the Public Service District moved that the Fayette County Commission approve the merger of Deepwater Public Service District with and into Armstrong Public Service District pursuant to the aforesaid Petition, which Petition contained a legal description of the territory proposed to be encompassed by the merger and enlargement of the boundaries together with a map showing the proposed boundary changes. Lynn B. Pollard informed the Court that the District wished to merge and to enlarge its boundaries to construct, maintain, operate, improve and extend water services within the territory and to serve additional customers more efficiently in the merged area. In addition, the merged districts, so long as funding is approved, intend to eliminate the Deepwater water plant (Armstrong's water plant will supply water to Deepwater, upgrade the water lines for Powellton, Deepwater and Kimberly customers (current lines

are 30 to 50 years old), upgrade the water tanks in Powellton and Deepwater and to provide Fire Protection for Deepwater's community (currently the fire department must come to Adams Village or to the creek for water).

Whereupon, Kenneth L. Eskew, President, inquired as to whether or not there was anyone present who opposed the proposed merger and boundary change and there being no one present in opposition to said change. John H. Lopes, Commissioner, moved for the approval of the merger and boundary change pursuant to the previously filed Petition, and Kenneth L. Eskew, Commissioner, seconded said motion, and after many questions and much deliberation, the President put the question on the motion and the roll being called, the following voted:

Aye: Eskew—aye; Lopes—aye; Wender—absent

Nay: None

Whereupon, the President declared the motion duly carried and said Order duly adopted on motion and vote.

Therefore, it is **ORDERED** that the merger of Deepwater Public Service District with and into Armstrong Public Service District and the boundaries of the same, are hereby enlarged to encompass the following:

BEGINNING at a point in the center of Kanawha River, having a latitude of N 38° 07' 21" and a longitude of W 81° 14' 18", thence S 0.5 miles to a point having a latitude of N 38° 06' 54" and longitude W 81° 14' 18", thence W 0.9 miles to a point having a latitude N 38° 06' 54" and longitude W 81° 15', thence N 60° 36' W 1.6 miles to a point having a latitude N 38° 07' 26", a longitude W 81° 16' 28", thence N 0.5 miles more or less to center of Kanawha River and thence upstream 2.7 miles to beginning, containing 1.5 square miles more or less, and being a part of the Kanawha Magisterial District of Fayette County, West Virginia.

Beginning at a point in the Great Kanawha River approximately 2,000 feet down stream from the mouth of Armstrong Creek, thence up the Great Kanawha River

Oct. 10. 2006 1:09PM FAYETTE CO PROSECUTOR

No. 5214 P. 5

BOOK 626 PAGE 659

approximately 6,300 feet, thence leaving the river S 32° 45' W. 1,400 feet, N. 57° 15' W. 3,000 feet, S 32° 45' W. 12,000 feet, S 17° 00' W. 4,000 feet, S 39° 45' W. 7,000 feet, S 17° 00' W. 2,000 feet, N. 75° 00' W. 6,000 feet, S 17° 00' W. 4,300 feet, S 1° 15' W. 4,300 feet, N. 82° 45' W. 2,000 feet, N. 1° 15' E. 5,000 feet, N. 17° 00' E. 16,000 feet, N. 32° 45' E. 7,000 feet, N. 57° 15' W. 3,000 feet, N. 32° 45' E. 2,000 feet, N. 57° 15' E. 3,000 feet, N. 32° 45' E. 6,300 feet to place of beginning, comprising the communities of Mt. Carbon, Kimberly, Columbia, Jenkins Fork, Elk Ridge and Powellton."

All territory encompassed by the proposed merger of Deepwater Public Service District with and into Armstrong Public Service District and the proposed enlargement is in the county of Fayette, West Virginia. The purpose for the expansion of the boundaries and merger of the public service districts is to extend water service within such territory and outside of such territory to the extent permitted by law as well as the other purposes as stated herein. The merged District shall have 5 commissioners.

It is ORDERED that a certified copy of this Order be sent to the Public Service Commission pursuant to West Virginia Code 16-13A-2 and also a copy to the County Commission of Fayette County.

James H. [Signature]
PRESIDENT

John H. [Signature]
COMMISSIONER
John H. [Signature]
COMMISSIONER

ATTEST: *Kevin Holliday*
CLERK

10/10/2006 1:09PM FAYETTE CO PROSECUTOR

No. 5214 P. 222

RECEIVED
9-19-06

IN THE COUNTY COMMISSION OF FAYETTE COUNTY, WEST VIRGINIA

IN RE:

**MERGER OF DEEPWATER PUBLIC SERVICE DISTRICT WITH AND
INTO ARMSTRONG PUBLIC SERVICE DISTRICT PURSUANT TO
ARTICLE 13A OF CHARTER 16 OF THE CODE OF WEST VIRGINIA,
AS AMENDED**

WHEREAS, the Deepwater Public Service District was created to provide both water and sewerage services by order dated March 6, 1963 and entered to record by the County Commission of Fayette County; and

WHEREAS, the intent of the merger of Deepwater Public Service District with and into Armstrong Public Service District pursuant to Article 13A of Chapter 16 of the Code of West Virginia, as amended, was to include both water and sewerage services; and

WHEREAS, by Order Dated July 26, 2005 and entered by the Public Service Commission of West Virginia and received in this office on September 1, 2005, the County Commission of Fayette County was requested to clarify that the merger of Deepwater Public Service District into Armstrong Public Service District necessarily includes the sewer system of Deepwater;

NOW THEREFORE BE IT HEREBY RESOLVED AND ORDERED that the merger of Deepwater Public Service District with and into Armstrong Public Service District as ordered by the County Commission of Fayette County on November 30, 2004, necessarily includes the sewer system of Deepwater.

Entered to record this 16th day of September, 2005.

County Commission of Fayette County


Matthew D. Winkler, President


John H. Lopez, Commissioner


Kenneth L. Makew, Commissioner

041946alj052305.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

ENTEREDOrder Book 05-WEntered: May 23, 2005**ORIGINAL**

CASE NO. 04-1946-PSWD-PC

FAYETTE COUNTY COMMISSION

Petition for consent and approval to
merge Deepwater Public Service District
into Armstrong Public Service District

FINAL6-12-05**RECOMMENDED DECISION**

On December 3, 2004, the Fayette County Commission (County Commission) filed a petition for the approval of its Order of November 30, 2004, for consent and approval to merge the Deepwater Public Service District (Deepwater) with and into the Armstrong Public Service District (Armstrong), in accordance with West Virginia Code §16-13A-2.

On December 30, 2004, Staff filed its First Set of Interrogatories, Data Requests or Requests for Information upon the Fayette County Commission.

Also on December 30, 2004, Staff Attorney Cassius H. Toon filed an Initial Joint Staff Memorandum, to which was attached the Initial Internal Memorandum prepared by Ms. Karen L. Buckley, Utilities Analyst II, Water and Wastewater Division. Staff explained that the petition in this case seeks approval to merge Deepwater with and into Armstrong, in accordance with West Virginia Code §16-13A-2. Armstrong wishes to enlarge its boundaries to construct, maintain, operate, improve and extend water services within the territory and to serve additional customers more efficiently in the merged area. The County Commission's petition addresses only water service.

In accordance with the Code, the County Commission held a public hearing on November 30, 2004. Notice of the hearing was published in The Montgomery Herald on November 10, 2004. The County Commission determined that the merger of Deepwater and the taking over of Deepwater's public service properties by Armstrong will be conducive to the public health, comfort and convenience of the customers. As long as funding is approved, the merged districts intend to eliminate the Deepwater water plant (Armstrong's water plant will supply water to Deepwater); upgrade the water lines for Powellton, Deepwater and Kimberly customers, which are currently thirty to fifty years old; upgrade the water tanks to Powellton and Deepwater; and provide fire protection for Deepwater. Currently, the Fire Department must come to Adena Village or to the creek for water. Staff indicated that it would file its final recommendation following the receipt of three items of information from the Districts, which were the subject of Staff's Interrogatories. Staff further

recommended that the matter be referred to the Division of Administrative Law Judges.

On January 5, 2005, the District submitted the information requested by Staff in its Interrogatories.

By Order dated January 12, 2005, this matter was referred to the Division of Administrative Law Judges for a decision to be rendered on or before July 1, 2005.

On February 7, 2005, Staff Attorney Toon filed a Further Joint Staff Memorandum, to which was attached the Internal Memorandum prepared by Ms. Buckley. Deepwater has outstanding bonds that have not been retired. According to West Virginia Code §16-13A-18a,

In the event of any such sale, the proceeds thereof, if any, remaining after payment of all outstanding bonds and other obligations of the district, shall be ratably distributed to any persons who have made contributions in aid of construction of such water ... system, such distribution not to exceed the actual amount of any such contribution, without interest, and any balance of funds thereafter remaining shall be paid to the county commission of the county in which the major portion of such water ... system is located to be placed in the general funds of such county commission.

Staff indicated that it could not file its final recommendation until it received a copy of the petition filed by the County Commission and proof that the bondholder of the Deepwater Public Service District has been made aware of the sale of Deepwater to the Armstrong Public Service District and whether that bondholder approves of the sale.

On February 9, 2005, the District submitted information requested by Commission Staff.

On April 1, 2005, Staff Attorney Toon filed a Final Joint Staff Memorandum, to which was attached the Final Internal Memorandum prepared by Ms. Buckley. Staff explained that copies of the Minutes from both Districts agreeing to the merger were filed with the Commission; however, according to Armstrong's Minutes, the County Commission agreed to the merger with a stipulation that the rates of both Districts should not have to increase as a result of the merger, so as not to create an undue hardship on either Districts' customers. Staff noted that, in Case No. 00-0567-PSD-19A, Staff had expressed serious concerns regarding the viability of Deepwater's utility operations as a whole, since Deepwater is in a low-income area and customers have a hard time paying for both water and sewer service. In that case, according to Staff, water consumption had decreased since the inception of the sewer system, due to low-income customers of the District having to pay a sewer bill in addition to a water bill. Staff recommended that the District approach the Fayette County Commission to consolidate both its water and sewer systems into another District in Fayette County. The Administrative Law Judge then ordered Deepwater to discuss the possibility of its consolidation with another Fayette County district with the Fayette County Commission. This petition is a result of that recommendation. Staff has

been made aware that the Fayette County Commission is working on the merger of Deepwater into Armstrong for the purpose of providing sewer service.

Staff recommended approval, contingent on bondholder approval, of the petition to merge Deepwater Public Service District with and into Armstrong Public Service District in order to provide water service to Deepwater's customers. Staff further recommended approval of Armstrong's boundary adjustments to construct, maintain, operate, improve and extend water service within the territory and to serve additional customers more efficiently in the merged area.

By Procedural Order dated April 19, 2005, this matter was set for hearing to be held in the Fayette County Courthouse, County Commission Chambers, Fayetteville, West Virginia, on May 12, 2005. Said Order also required the Fayette County Commission to give notice of the hearing to be held on May 12, 2005, by publishing a Notice of Hearing, once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Fayette County. The Fayette County Commission was also directed to be prepared to submit at the hearing evidence that the Water Development Authority (WDA), the bondholder for Deepwater Public Service District, was in agreement with the merger.

The hearing was held as scheduled. The Fayette County Commission was represented by its Administrator, Ms. Charlotte Holley, and its counsel, Ms. Lynn B. Pollard, Esquire. Commission Staff was represented by Staff Attorney Leslie Anderson, Esquire. Also present was Mr. Leon Newman, Chairman of the Deepwater Public Service District.

No one appeared in protest to the application. (See, Tr., p. 6). The County Commission submitted a proper affidavit of publication reflecting that publication of the Notice of Hearing had been made in accordance with the Commission's requirements. (See, affidavit in case file).

At the hearing, Commission Staff introduced Staff Exhibit Nos. 1 through 7, which document the Fayette County Commission's action in this case and the Staff recommendation, (See, Tr., pp. 6-8; Staff Exh. Nos. 1 through 7). The Fayette County Commission did not have evidence that the WDA is in agreement with the merger. (See, Tr., pp. 8-9). Staff recommended approval of the merger, conditioned upon the Fayette County Commission following up and getting Bondholder approval, since no time frame was evidenced. (Tr., pp. 8-9; Staff Exh. No. 1).

Mr. Leon Newman, Chairman of the Deepwater Public Service District, represented that Deepwater is a small community of 150 customers and Deepwater pays \$2,825 per month for a loan which resulted from a loan consolidation and, in order to alleviate the loan, Deepwater is paying an extra \$500 per month. Mr. Newman did not believe there was going to be any difficulty meeting the loan as the total owed is approximately \$13,000, and it would be met in an expedient manner. Because of the uncertainty in the time needed to get bondholder approval, Staff recommended that the approval be granted contingent upon the District submitting the approval of the WDA to the merger and sale of the District. (Tr., pp. 10 and 11; Staff Exh. No. 1).

No further evidence was presented and, since the case was unprotested, the matter was submitted for a decision.

FINDINGS OF FACT

1. The Fayette County Commission filed a petition seeking approval of its Order of November 30, 2004, for consent and approval to merge the Deepwater Public Service District with and into the Armstrong Public Service District, in accordance with West Virginia Code §16-13A-2. (See, Petition filed December 3, 2004).

2. This matter was set for hearing to be held in Fayette County on May 12, 2005. Said Order required the Fayette County Commission to give notice of the hearing to be held by publishing a Notice of Hearing in Fayette County. (See, Procedural Order dated April 19, 2005).

3. The Deepwater Public Service District has outstanding bonds from the Water Development Authority (WDA) that have not been paid. (See Further Final Joint Staff Memorandum filed February 7, 2005; Tr. pp. 10-11).

4. Staff recommended approval of the merger of Deepwater into Armstrong and of Armstrong's boundary adjustments to construct, maintain, operate and improve and extend water service within the territory to serve additional customers, contingent upon the WDA's approval of the merger of the Deepwater Public Service District with and into the Armstrong Public Service District. (See, Final Joint Staff Memorandum filed April 1, 2005; Staff Exhibit No. 1).

5. A proper affidavit of publication was submitted reflecting that publication of the Notice of Hearing was made in accordance with the Commission's requirements. (See, affidavit in case file).

6. At the hearing held on May 12, 2005, no one appeared in protest to the petition. (See, Tr., p. 6).

7. The Fayette County Commission did not submit a letter from the WDA indicating approval of the merger, but advised that action was being taken by the District to solve this indebtedness. (See, Tr., pp. 8, 9, 10).

CONCLUSIONS OF LAW

1. Since Commission Staff has reviewed the petition of the Fayette County Commission for approval of the merger of Deepwater Public Service District into the Armstrong Public Service District and recommended approval and since the petition was unprotested at the hearing held on May 12, 2005, but the Fayette County Commission did not provide a letter of agreement from the WDA to the merger, the merger should be approved contingent upon submission of the proper documentation from the WDA approving the merger.

2. No actions can be taken by the Fayette County Commission to effectuate this merger until the letter of approval from the WDA is received by the Public Service Commission.

ORDER

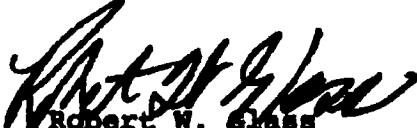
IT IS, THEREFORE, ORDERED that the Fayette County Commission's Order of November 30, 2004, merging Deepwater Public Service District with and into the Armstrong Public Service District and expanding the boundaries of Armstrong Public Service District with regard to the provision of water service, be, and the same hereby is, approved, contingent upon the prior submission by the Fayette County Commission of approval by the Water Development Authority of the merger, since it holds the outstanding bonds of Deepwater Public Service District.

The Executive Secretary is hereby ordered to serve a copy of this order upon the Commission by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary of the Commission within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

If no exceptions are so filed this order shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's Order by filing an appropriate petition in writing with the Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.


Robert W. Glass
Administrative Law Judge

RWG:dfs/mal
041946aa.wpd

DEEPWATER PUBLIC SERVICE DISTRICT

A RESOLUTION AUTHORIZING AND RATIFYING THE
TRANSFER OF THE ASSETS OF DEEPWATER PUBLIC
SERVICE DISTRICT, THE ASSIGNMENT OF THE BONDS
OF DEEPWATER PUBLIC SERVICE DISTRICT TO
ARMSTRONG PUBLIC SERVICE DISTRICT AND THE
DISSOLUTION OF DEEPWATER PUBLIC SERVICE
DISTRICT

WHEREAS, Deepwater Public Service District (hereinafter "Deepwater") is a public service district and public corporation created by Resolution of The County Commission of Fayette County (hereinafter, the "County Commission") and formed pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, Armstrong Public Service District (hereinafter "Armstrong") is a public service district and public corporation created by Resolution of the County Commission and formed pursuant to the provisions of the Act;

WHEREAS, the Public Service Board of Deepwater adopted a resolution on December 21, 2006, following a duly noticed public hearing, authorizing the transfer of the assets of Deepwater to Armstrong and the assumption of the Deepwater Public Service District Sewer Revenue Bonds, Series 1994 A, dated November 15, 1994, issued in the original aggregate principal amount of \$479,000 (the "Series 1994 A Bonds") and the Deepwater Public Service District Sewer Revenue Bonds, Series 1994 B, dated November 15, 1994, issued in the original aggregate principal amount of \$37,540 (the "Series 1994 B Bonds," and together with the Series 1994 A Bonds, the "Deepwater Bonds") by Armstrong;

WHEREAS, the County Commission adopted a resolution on November 30, 2004, approving the dissolution of Deepwater, expanding the boundaries of Armstrong, the transfer of the assets of Deepwater to Armstrong, subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 04-1946-PSWD-PC, by Final Order entered on May 23, 2005 (final June 12, 2005), approved the dissolution of Deepwater, the expansion of the boundaries of Armstrong, the transfer of the assets of Deepwater to Armstrong and the assumption of the Deepwater Bonds by Armstrong (collectively, the "Transfer and Assignment"), subject to the approval of the bondholders of the Districts;

WHEREAS, the West Virginia Water Development Authority, as the holder of the Deepwater Bonds heretofore issued by Deepwater will consent to the acquisition of the assets of Deepwater by Armstrong, the assumption of the Deepwater Bonds by Armstrong and the dissolution of Deepwater if the debt service reserve funds are fully funded and the coverage and parity tests are met;

WHEREAS, The County Commission of Fayette County plans to adopt a resolution on January 5, 2007, approving and ratifying the proposed Transfer and Assumption, the dissolution of Deepwater and the expansion of the boundaries of Armstrong;

WHEREAS, the Board of Armstrong plans to adopt a resolution on December 21, 2006, approving and ratifying the proposed Transfer and Assumption;

WHEREAS, contemporaneously with the transfer of the assets of Deepwater to Armstrong, Deepwater desires to assign, and Armstrong desires to assume all liabilities for and obligations under the Deepwater Bonds; and

WHEREAS, it is in the best interest of the customers of Armstrong and Deepwater to complete the proposed Transfer and Assumption, to convey all assets, rights, privileges, immunities and powers of Deepwater to Armstrong, for Armstrong to assume and re-designate the Deepwater Bonds, for Deepwater to be dissolved and for the boundaries of Armstrong to be expanded to include the boundaries of Deepwater.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF DEEPWATER PUBLIC SERVICE DISTRICT, FAYETTE COUNTY, WEST VIRGINIA AS FOLLOWS:

1. Deepwater does hereby authorize and ratify the transfer of the assets of Deepwater to Armstrong, the assumption of the Deepwater Bonds by Armstrong and the dissolution of Deepwater.
2. That, immediately following the consummation of the Transfer and Assumption on or about December 21, 2006, Deepwater shall be dissolved.
3. The Chairman and Secretary of Deepwater are hereby authorized and directed to execute all documents concerning the Transfer and Assumption, specifically including, but not limited to, the assumption of the Deepwater Bonds and the execution of a deed and bill of sale to Armstrong.
4. The Chairman and Secretary of Deepwater are hereby authorized and directed to execute all documents concerning the dissolution of Deepwater.

5. The Chairman and Secretary of Deepwater are vested with the appropriate authority to take any and all actions necessary to complete Transfer and Assumption and the dissolution of Deepwater.

6. This Resolution shall become effective immediately upon adoption hereof.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

Adopted by the Public Service Board of Deepwater Public Service District at a meeting held on the 21st day of December, 2006.

DEEPWATER PUBLIC SERVICE DISTRICT

[SEAL]

Donald White
Chairman

Elma Neuman
Secretary

ARMSTRONG PUBLIC SERVICE DISTRICT

A RESOLUTION AUTHORIZING AND RATIFYING THE
ACQUISITION OF THE ASSETS OF DEEPWATER PUBLIC
SERVICE DISTRICT, THE ASSUMPTION AND RE-
DESIGNATION OF THE BONDS OF DEEPWATER PUBLIC
SERVICE DISTRICT AND THE EXPANSION OF THE
BOUNDARIES OF ARMSTRONG PUBLIC SERVICE
DISTRICT

WHEREAS, Armstrong Public Service District (hereinafter "Armstrong") is a public service district and public corporation created by Resolution of The County Commission of Fayette County (hereinafter, the "County Commission") and formed pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, Deepwater Public Service District (hereinafter "Deepwater") is a public service district and public corporation and political subdivision created by Resolution of the County Commission and formed pursuant to the provisions of the Act;

WHEREAS, the Public Service Board of Deepwater adopted a resolution on December 21, 2006, following a duly noticed public hearing, authorizing the transfer of the assets of Deepwater to Armstrong and the assumption of the Deepwater Public Service District's Sewer Revenue Bonds, Series 1994 A, dated November 15, 1994, issued in the original aggregate principal amount of \$429,000 and the Deepwater Sewer Revenue Bonds, Series 1994 B, issued in the aggregate principal amount of \$37,540 (the "Deepwater Bonds") by Armstrong;

WHEREAS, the County Commission adopted a resolution on November 30, 2004, approving the transfer of the assets of Deepwater to Armstrong, the dissolution of Deepwater and the expansion of the boundaries of Armstrong, subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 04-1946-PSWD-PC, by Final Order entered on May 23, 2005 (final June 12, 2005), approved the dissolution of Deepwater, the expansion of the boundaries of Armstrong, the transfer of the assets of Deepwater to Armstrong, and the assumption of the Deepwater Bonds by Armstrong (collectively, the "Transfer and Assignment"), subject to the approval of the bondholders of the Districts;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 06-0755-PSWD-PC, by Final Order and Commission Order entered on July 10, 2006, approved the borrowing of funds by Armstrong to finalize the merger with Deepwater;

WHEREAS, the West Virginia Water Development Authority, as the holder of Deepwater Bonds has consented to the acquisition of the assets of Deepwater by Armstrong, the assumption of the Deepwater Bonds by Armstrong and the dissolution of Deepwater if the debt service reserve funds for the Deepwater Bonds have been fully funded and the parity and coverage tests have been met;

WHEREAS, the Board of Deepwater adopted a resolution on December 21, 2006, approving and ratifying the proposed Transfer and Assumption and the dissolution of Deepwater;

WHEREAS, contemporaneously with the acquisition of the assets of Deepwater by Armstrong, Deepwater desires to assign, and Armstrong desires to assume all liabilities for and obligations under the Deepwater Bonds;

WHEREAS, contemporaneously with the assumption of the Deepwater Bonds, Armstrong desires to re-designate the Deepwater Bonds as sewer revenue bonds of Armstrong;

WHEREAS, contemporaneously with the Transfer and Assumption, Armstrong will issue a Bond Anticipation Notes (the "BAN") to the West Virginia Water Development Authority, in an amount not to exceed \$50,000 to replenish the debt service reserve funds for the Deepwater Bonds; and

WHEREAS, it is in the best interest of the customers of Armstrong and Deepwater to complete the proposed Transfer and Assumption, to convey all assets, rights, privileges, immunities and powers of Deepwater to Armstrong, for Armstrong to assume and re-designate the Deepwater Bonds, for Deepwater to be dissolved, for the boundaries of Armstrong to be expanded to include the boundaries of Deepwater and for Armstrong to issue the BAN.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF ARMSTRONG PUBLIC SERVICE DISTRICT, FAYETTE COUNTY, WEST VIRGINIA AS FOLLOWS:

1. Armstrong does hereby authorize the acquisition of the assets of Deepwater by Armstrong, the assumption of the Deepwater Bonds, the issuance of the BAN and the re-designation of the Deepwater Bonds as bonds of Armstrong.

2. Armstrong does hereby authorize and ratify the assumption of all liabilities, rights, responsibilities and obligations in connection with the Deepwater Bonds, specifically including, but not limited to, those liabilities, rights, responsibilities and obligations set forth in the Bond Resolutions adopted by the Board of Deepwater on November 10, 1994, authorizing the Deepwater Bonds, said resolutions are attached hereto as Exhibit A and incorporated herein by reference and the Loan Agreement between Deepwater and the West Virginia Water Development Authority (the "Authority") dated November 15, 2004 and the Loan Agreement between Deepwater, the Authority and the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment ("DEP") dated August 30, 2004, attached hereto as Exhibit B and incorporated herein by reference.

3. Upon the assumption of the Deepwater Bonds by Armstrong, such bonds shall be re-designated as follows:

Armstrong Public Service District Sewer Revenue Bonds, Series 1994 A (Formerly Deepwater Public Service District Sewer Revenue Bonds, Series 1994 A)

Armstrong Public Service District Sewer Revenue Bonds, Series 1994 B (Formerly Deepwater Public Service District Sewer Revenue Bonds, Series 1994 B)

4. That, immediately following the consummation of the Transfer and Assumption as of the close of business on December 21, 2006, the boundaries of Armstrong shall be expanded to include the boundaries of Deepwater.

5. The Chairman and Secretary of Armstrong are hereby authorized and directed to execute all documents concerning the Transfer and Assumption, specifically including, but not limited to, the assumption of the Deepwater Bonds, the re-designation of the Deepwater Bonds as sewer revenue bonds of Armstrong and the closing of the BAN.

6. The Chairman and Secretary of Armstrong are hereby authorized and directed to execute all documents concerning the expansion of the boundaries of Armstrong to include the boundaries of Deepwater.

7. The Chairman and Secretary of Armstrong are vested with the appropriate authority to take any and all actions necessary to complete Transfer and Assumption.

8. The statutory mortgage liens of the Deepwater Bonds are hereby assumed by Armstrong and are a valid lien against the System as of the date of assumption, on a parity with one another and with Armstrong's other first lien bonds.

9. This Resolution shall become effective immediately upon adoption hereof.

[Remainder of Page Intentionally Left Blank]

Adopted by the Public Service Board of Armstrong Public Service District at a meeting held on the 21st day of December, 2006.

ARMSTRONG PUBLIC SERVICE DISTRICT

[SEAL]

Thomas Bowen
Chairman

Judith Wallace
Secretary

FAYETTE COUNTY, WV
FILED
December 22, 2006 00:00:00

KELVIN E. HOLLIDAY
COUNTY CLERK
TRANSACTION NO: 2006511153

DEED BOOK
Book: 00626 Page: 00652
Line: 00001

BOOK NO. PAGE NO.
KELVIN E. HOLLIDAY
COUNTY CLERK
FAYETTE COUNTY

2006 DEC 22 P 12:17

ADMITTED TO RECORD



ENTEREDPUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**ORIGINAL**Order Book 05-QIssued: April 19, 2005

CASE NO. 04-1946-PSWD-PC

FAYETTE COUNTY COMMISSION

Petition for consent and approval to
merge Deepwater Public Service District
into Armstrong Public Service District

PROCEDURAL ORDER

On December 3, 2004, the Fayette County Commission (County Commission) filed a petition for the approval of its Order of November 30, 2004, for consent and approval to merge the Deepwater Public Service District (Deepwater) with and into the Armstrong Public Service District (Armstrong), in accordance with West Virginia Code §16-13A-2.

On December 30, 2004, Staff filed its First Set of Interrogatories, Data Request or Request for Information upon the Fayette County Commission.

Also on December 30, 2004, Staff Attorney Cassius H. Toon filed an Initial Joint Staff Memorandum, to which was attached the Initial Internal Memorandum prepared by Ms. Karen L. Buckley, Utilities Analyst II, Water and Wastewater Division. Staff explained that the petition in this case seeks approval to merge Deepwater with and into Armstrong, in accordance with West Virginia Code §16-13A-2. Armstrong wishes to enlarge its boundaries to construct, maintain, operate, improve and extend water services within the territory and to serve additional customers more efficiently in the merged area. The County Commission's petition addresses only water service.

In accordance with the Code, the County Commission held a public hearing on November 30, 2004. Notice of the hearing was published in The Montgomery Herald on November 10, 2004. The County Commission determined that the merger of Deepwater and the taking over of Deepwater's public service properties by Armstrong will be conducive to the public health, comfort and convenience of the customers. In addition to the merging of the Districts, as long as funding is approved, the merged District intends to eliminate the Deepwater water plant (Armstrong's water plant will supply water to Deepwater); upgrade the water lines for Powellton, Deepwater and Kimberly customers, which are currently thirty to fifty years old; upgrade the water tanks to Powellton and Deepwater; and

provide water protection for Deepwater. Currently, the Fire Department must come to Adena Village or to the creek for water. Staff indicated that it would file its final recommendation following the receipt of three items of information from the Districts, which were the subject of Staff's Interrogatories. Staff further recommended that the matter be referred to the Division of Administrative Law Judges.

On January 5, 2005, the District submitted the information requested by Staff in its Interrogatories.

By Order dated January 12, 2005, this matter was referred to the Division of Administrative Law Judges for a decision to be rendered on or before July 1, 2005.)

On February 7, 2005, Staff Attorney Toon filed a Further Joint Staff Memorandum, to which was attached the Internal Memorandum prepared by Ms. Buckley. Staff explained that it had discovered that Deepwater has outstanding bonds that have not been retired. According to West Virginia Code §16-13A-18a, in the event of any such sale, the proceeds thereof, if any, remaining after payment of all outstanding bonds and other obligations of the district, shall be ratably distributed to any persons who have made contributions "in aid of construction of such water ... such distribution not to exceed the actual amount of any such contribution, without interest, and any balance of funds thereafter remaining shall be paid to the county commission of the county in which the major portion of such water, ... is located to be placed in the general funds of such county commission." Staff indicated that it could not file its final recommendation until it received a copy of the petition filed by the County Commission in proof that the bondholder of the Deepwater Public Service District has been made aware of the sale of the district to the Armstrong Public Service District and whether that bondholder approves of the sale.

On February 9, 2005, the District submitted information requested by Commission Staff.

On April 1, 2005, Staff Attorney Toon filed a Final Joint Staff Memorandum, to which was attached the Final Internal Memorandum prepared by Ms. Buckley. Staff explained that copies of the Minutes from both Districts agreeing to the merger were filed with the Commission; however, according to Armstrong's Minutes, the County Commission agreed to the merger with a stipulation that the rates of both Districts should not have to increase as a result of the merger so as not to create an undue hardship on either Districts' customers. Staff noted that, in Case No. 00-0567-PSD-19A, Staff had serious concerns with the viability of Deepwater's utility operations as a whole, since Deepwater is in a low-income area and customers have a hard time paying for both water and sewer. In that case, according to Staff, water consumption had decreased since the inception of the sewer system, due to low-income customers of the District having to pay a sewer bill in addition to a water bill. Staff recommended in that case that the District approach the Fayette County Commission to consolidate both its water and sewer systems into the District in Fayette County. The Administrative Law Judge then ordered Deepwater to discuss the possibility of its consolidation with another Fayette County district with the Fayette County Commission. This

petition is a result of that recommendation. Staff has been made aware that the Fayette County Commission is working on the merger of Deepwater into Armstrong for the purpose of providing sewer service.

Staff recommended approval, contingent on bondholder approval of the petition to merge Deepwater Public Service District with and into Armstrong Public Service District in order to provide water service to Deepwater's customers. Staff further recommended approval of Armstrong's boundary adjustments to construct, maintain, operate, improve and extend water service within the territory and to serve additional customers more efficiently in the merged area.

Based upon the above, the Administrative Law Judge is of the opinion and finds that the following procedural schedule shall be established for conducting the hearing required in accordance with the provisions of West Virginia Code §16-13A-2:

1. A hearing shall be held in the Fayette County Courthouse, County Commission Chambers, 100 Court Street, Fayetteville, West Virginia, on May 12, 2005, at 10:00 a.m.;
2. The transcript of the proceeding shall be received on or before May 26, 2005; and
3. Initial briefs in this matter shall be filed on or before June 15, 2005, with reply briefs, if any, may be filed on or before June 22, 2005.

ORDER


IT IS, THEREFORE, ORDERED that the foregoing procedural schedule, including the hearing date of May 12, 2005, be, and the same hereby is, established to process and resolve this case.

IT IS FURTHER ORDERED that the Fayette County Commission give notice of the hearing to be held in this matter on May 12, 2005, by publishing a copy of the Notice of Hearing, attached hereto as Appendix A, once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Fayette County. A proper affidavit of publication shall be submitted to the Commission at the hearing.

IT IS FURTHER ORDERED that the Fayette County Commission be prepared to submit evidence at the hearing to be held on May 12, 2005, that the bondholder of Deepwater Public Service District agrees to the sale to be approved in this case.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this Order upon all parties to this proceeding by United States Certified Mail, return receipt requested, and upon Commission

Staff by hand delivery. In addition, the Commission's Executive Secretary shall serve a copy of this Order upon the Fayette County Commission by facsimile transmission.


Robert W. Glass
Administrative Law Judge

RWG:dfs
041946a.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**ENTERED**Order Book 05-14Entered: May 23, 2005**ORIGINAL**

CASE NO. 04-1946-PSWD-PC

FAYETTE COUNTY COMMISSION

Petition for consent and approval to
merge Deepwater Public Service District
into Armstrong Public Service District

FINAL

6-12-05RECOMMENDED DECISION

On December 3, 2004, the Fayette County Commission (County Commission) filed a petition for the approval of its Order of November 30, 2004, for consent and approval to merge the Deepwater Public Service District (Deepwater) with and into the Armstrong Public Service District (Armstrong), in accordance with West Virginia Code §16-13A-2.

On December 30, 2004, Staff filed its First Set of Interrogatories, Data Requests or Requests for Information upon the Fayette County Commission.

Also on December 30, 2004, Staff Attorney Cassius H. Toon filed an Initial Joint Staff Memorandum, to which was attached the Initial Internal Memorandum prepared by Ms. Karen L. Buckley, Utilities Analyst II, Water and Wastewater Division. Staff explained that the petition in this case seeks approval to merge Deepwater with and into Armstrong, in accordance with West Virginia Code §16-13A-2. Armstrong wishes to enlarge its boundaries to construct, maintain, operate, improve and extend water services within the territory and to serve additional customers more efficiently in the merged area. The County Commission's petition addresses only water service.

In accordance with the Code, the County Commission held a public hearing on November 30, 2004. Notice of the hearing was published in The Montgomery Herald on November 10, 2004. The County Commission determined that the merger of Deepwater and the taking over of Deepwater's public service properties by Armstrong will be conducive to the public health, comfort and convenience of the customers. As long as funding is approved, the merged districts intend to eliminate the Deepwater water plant (Armstrong's water plant will supply water to Deepwater); upgrade the water lines for Powellton, Deepwater and Kimberly customers, which are currently thirty to fifty years old; upgrade the water tanks to Powellton and Deepwater; and provide fire protection for Deepwater. Currently, the Fire Department must come to Adena Village or to the creek for water. Staff indicated that it would file its final recommendation following the receipt of three items of information from the Districts, which were the subject of Staff's Interrogatories. Staff further

recommended that the matter be referred to the Division of Administrative Law Judges.

On January 5, 2005, the District submitted the information requested by Staff in its Interrogatories.

By Order dated January 12, 2005, this matter was referred to the Division of Administrative Law Judges for a decision to be rendered on or before July 1, 2005.

On February 7, 2005, Staff Attorney Toon filed a Further Joint Staff Memorandum, to which was attached the Internal Memorandum prepared by Ms. Buckley. Deepwater has outstanding bonds that have not been retired. According to West Virginia Code §16-13A-18a,

In the event of any such sale, the proceeds thereof, if any, remaining after payment of all outstanding bonds and other obligations of the district, shall be ratably distributed to any persons who have made contributions in aid of construction of such water ... system, such distribution not to exceed the actual amount of any such contribution, without interest, and any balance of funds thereafter remaining shall be paid to the county commission of the county in which the major portion of such water ... system is located to be placed in the general funds of such county commission.

Staff indicated that it could not file its final recommendation until it received a copy of the petition filed by the County Commission and proof that the bondholder of the Deepwater Public Service District has been made aware of the sale of Deepwater to the Armstrong Public Service District and whether that bondholder approves of the sale.

On February 9, 2005, the District submitted information requested by Commission Staff.

On April 1, 2005, Staff Attorney Toon filed a Final Joint Staff Memorandum, to which was attached the Final Internal Memorandum prepared by Ms. Buckley. Staff explained that copies of the Minutes from both Districts agreeing to the merger were filed with the Commission; however, according to Armstrong's Minutes, the County Commission agreed to the merger with a stipulation that the rates of both Districts should not have to increase as a result of the merger, so as not to create an undue hardship on either Districts' customers. Staff noted that, in Case No. 00-0567-PSD-19A, Staff had expressed serious concerns regarding the viability of Deepwater's utility operations as a whole, since Deepwater is in a low-income area and customers have a hard time paying for both water and sewer service. In that case, according to Staff, water consumption had decreased since the inception of the sewer system, due to low-income customers of the District having to pay a sewer bill in addition to a water bill. Staff recommended that the District approach the Fayette County Commission to consolidate both its water and sewer systems into another District in Fayette County. The Administrative Law Judge then ordered Deepwater to discuss the possibility of its consolidation with another Fayette County district with the Fayette County Commission. This petition is a result of that recommendation. Staff has

been made aware that the Fayette County Commission is working on the merger of Deepwater into Armstrong for the purpose of providing sewer service.

Staff recommended approval, contingent on bondholder approval, of the petition to merge Deepwater Public Service District with and into Armstrong Public Service District in order to provide water service to Deepwater's customers. Staff further recommended approval of Armstrong's boundary adjustments to construct, maintain, operate, improve and extend water service within the territory and to serve additional customers more efficiently in the merged area.

By Procedural Order dated April 19, 2005, this matter was set for hearing to be held in the Fayette County Courthouse, County Commission Chambers, Fayetteville, West Virginia, on May 12, 2005. Said Order also required the Fayette County Commission to give notice of the hearing to be held on May 12, 2005, by publishing a Notice of Hearing, once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Fayette County. The Fayette County Commission was also directed to be prepared to submit at the hearing evidence that the Water Development Authority (WDA), the bondholder for Deepwater Public Service District, was in agreement with the merger.

The hearing was held as scheduled. The Fayette County Commission was represented by its Administrator, Ms. Charlotte Holley, and its counsel, Ms. Lynn B. Pollard, Esquire. Commission Staff was represented by Staff Attorney Leslie Anderson, Esquire. Also present was Mr. Leon Newman, Chairman of the Deepwater Public Service District.

No one appeared in protest to the application. (See, Tr., p. 6). The County Commission submitted a proper affidavit of publication reflecting that publication of the Notice of Hearing had been made in accordance with the Commission's requirements. (See, affidavit in case file).

At the hearing, Commission Staff introduced Staff Exhibit Nos. 1 through 7, which document the Fayette County Commission's action in this case and the Staff recommendation. (See, Tr., pp. 6-8; Staff Exh. Nos. 1 through 7). The Fayette County Commission did not have evidence that the WDA is in agreement with the merger. (See, Tr., pp. 8-9). Staff recommended approval of the merger, conditioned upon the Fayette County Commission following up and getting Bondholder approval, since no time frame was evidenced. (Tr., pp. 8-9; Staff Exh. No. 1).

Mr. Leon Newman, Chairman of the Deepwater Public Service District, represented that Deepwater is a small community of 150 customers and Deepwater pays \$2,825 per month for a loan which resulted from a loan consolidation and, in order to alleviate the loan, Deepwater is paying an extra \$500 per month. Mr. Newman did not believe there was going to be any difficulty meeting the loan as the total owed is approximately \$13,000, and it would be met in an expedient manner. Because of the uncertainty in the time needed to get bondholder approval, Staff recommended that the approval be granted contingent upon the District submitting the approval of the WDA to the merger and sale of the District. (Tr., pp. 10 and 11; Staff Exh. No. 1).

No further evidence was presented and, since the case was unprotested, the matter was submitted for a decision.

FINDINGS OF FACT

1. The Fayette County Commission filed a petition seeking approval of its Order of November 30, 2004, for consent and approval to merge the Deepwater Public Service District with and into the Armstrong Public Service District, in accordance with West Virginia Code §16-13A-2. (See, Petition filed December 3, 2004).

2. This matter was set for hearing to be held in Fayette County on May 12, 2005. Said Order required the Fayette County Commission to give notice of the hearing to be held by publishing a Notice of Hearing in Fayette County. (See, Procedural Order dated April 19, 2005).

3. The Deepwater Public Service District has outstanding bonds from the Water Development Authority (WDA) that have not been paid. (See Further Final Joint Staff Memorandum filed February 7, 2005; Tr. pp. 10-11).

4. Staff recommended approval of the merger of Deepwater into Armstrong and of Armstrong's boundary adjustments to construct, maintain, operate and improve and extend water service within the territory to serve additional customers, contingent upon the WDA's approval of the merger of the Deepwater Public Service District with and into the Armstrong Public Service District. (See, Final Joint Staff Memorandum filed April 1, 2005; Staff Exhibit No. 1).

5. A proper affidavit of publication was submitted reflecting that publication of the Notice of Hearing was made in accordance with the Commission's requirements. (See, affidavit in case file).

6. At the hearing held on May 12, 2005, no one appeared in protest to the petition. (See, Tr., p. 6).

7. The Fayette County Commission did not submit a letter from the WDA indicating approval of the merger, but advised that action was being taken by the District to solve this indebtedness. (See, Tr., pp. 8, 9, 10).

CONCLUSIONS OF LAW

1. Since Commission Staff has reviewed the petition of the Fayette County Commission for approval of the merger of Deepwater Public Service District into the Armstrong Public Service District and recommended approval and since the petition was unprotested at the hearing held on May 12, 2005, but the Fayette County Commission did not provide a letter of agreement from the WDA to the merger, the merger should be approved contingent upon submission of the proper documentation from the WDA approving the merger.

2. No actions can be taken by the Fayette County Commission to effectuate this merger until the letter of approval from the WDA is received by the Public Service Commission.

ORDER

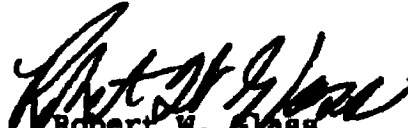
IT IS, THEREFORE, ORDERED that the Fayette County Commission's Order of November 30, 2004, merging Deepwater Public Service District with and into the Armstrong Public Service District and expanding the boundaries of Armstrong Public Service District with regard to the provision of water service, be, and the same hereby is, approved, contingent upon the prior submission by the Fayette County Commission of approval by the Water Development Authority of the merger, since it holds the outstanding bonds of Deepwater Public Service District.

The Executive Secretary is hereby ordered to serve a copy of this order upon the Commission by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary of the Commission within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

If no exceptions are so filed this order shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's Order by filing an appropriate petition in writing with the Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.


Robert W. Glass
Administrative Law Judge

RWG:dfs/mal
041946aa.wpd

060755com071006.wpd

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 10th day of July, 2006.

CASE NO. 06-0755-PSWD-PC

ARMSTRONG PUBLIC SERVICE DISTRICT

Petition for Commission consent and approval to borrow funds to finalize merger with Deepwater Public Service District.

COMMISSION ORDER

On June 7, 2006, the Armstrong Public Service District (District) filed a petition for Commission consent and approval to borrow funds from the West Virginia Water Development Authority (WDA) in the form of either a loan or a bond anticipation note (BAN) in an amount not to exceed \$50,000.00 to fund the Deepwater Public Service District's (Deepwater's) revenue bond payment deficiency and finalize a pending merger of the District and Deepwater. The District attached to its petition a *pro forma* analysis of the consolidation between the District and Deepwater; a letter from the WDA dated March 31, 2006; and a map/description.

On June 15, 2006, Commission Staff (Staff) filed an Initial and Final Joint Staff Memorandum noting some background information regarding this case.¹ By Order issued January 31, 2006, in Fayette County Commission, Case No.04-1946-PSWD-PC, the Commission approved a merger of Deepwater into the District conditioned upon future WDA approval of the merger.

Staff noted that this case was docketed as "Fayette County Commission" but should have been docketed as "Armstrong Public Service District."

¹Staff summarizes the Fayette County Commission's and this Commission's proceedings approving a merger between Deepwater and the District in the Initial and Final Internal Memorandum incorporated within the Joint Staff Memorandum filed on June 15, 2006.

Staff explained that a \$50,000 WDA loan, which may take the form of a BAN, will close simultaneously with the merger and require the District to pay \$1,500 in interest only payments for each of the first 3 years. The loan or BAN would carry a 3% per annum interest rate payable quarterly. The District may convert the BAN to permanent financing with the WDA or another source at the end of the three year term. The permanent financing loan may be amortized over a period not to exceed ten (10) years with interest not to exceed 5% per annum. Staff attached a cash flow statement reflecting that the merger will benefit both utilities and result in debt service coverage of 151.20% for water and 227.18% for sewer. Staff estimates \$10,000 in utility savings for each of the consolidated water and sewer operations due to reduced administrative expenses. Staff did not indicate that the borrowing will have any impact on rates for customers of the former Deepwater, or of the District.

Staff acknowledged that the Commission's January 31, 2006, Order approved the subject merger but, to avoid any possible confusion, Staff urged the Commission to again approve that merger at the same time it approves the WDA loan.

DISCUSSION

Upon review of this petition and the supporting documentation, the Commission believes that it is reasonable and appropriate to grant consent and approval, pursuant to *W. Va. Code* § 16-13A-25, for the District to borrow up to \$50,000.00 from WDA at 3% interest per annum, for a term of three (3) years. The Commission will also reaffirm its prior approval of the merger of the District and Deepwater. As there will be no rate impact resulting from the borrowing, and as the merger proceeding was publicly noticed, the Commission's approval may issue without need for further notice or hearing.

FINDINGS OF FACT

1. The District seeks Commission consent and approval to borrow funds from the WDA in the form of either a loan or a bond anticipation note (BAN) in an amount not to exceed \$50,000.00 to fund Deepwater's revenue bond payment deficiency and finalize a pending merger of the District and Deepwater.

2. On June 15, 2006, Staff filed an Initial and Final Joint Staff Memorandum noting the relationship between this petition, and the Commission's prior approval of a merger between the District and Deepwater.

3. Staff noted that this case was docketed as "Fayette County Commission" but ~~should have been docketed as "Armstrong Public Service District."~~

4. Staff explained that a \$50,000 WDA loan, which may take the form of a BAN, will close simultaneously with the merger and require the District to pay \$1,500 in interest only payments for each of the first 3 years. The loan or BAN would carry a 3% per annum interest rate payable quarterly. The District may convert the BAN to permanent financing with the WDA or another source at the end of the three year term. The permanent financing loan may be amortized over a period not to exceed ten (10) years with interest not to exceed 5% per annum.

5. Staff attached a cash flow statement reflecting that the merger will benefit both utilities and result in debt service coverage of 151.20% for water and 227.18% for sewer. Staff estimates \$10,000 in utility savings for each of the consolidated water and sewer operations due to reduced administrative expenses.

6. Staff did not indicate that the borrowing will have any impact on rates for customers of the former Deepwater, or of the District.

CONCLUSIONS OF LAW

1. It is reasonable and appropriate to grant consent and approval, pursuant to *W. Va. Code* § 16-13A-25, for the District to borrow up to \$50,000.00 from WDA at 3% interest per annum, for a term of three (3) years.

2. The Commission will also reaffirm its prior approval of the merger of the District and Deepwater.

3. As there will be no rate impact resulting from the borrowing, and as the merger proceeding was publicly noticed, the Commission's approval may issue without need for further notice or hearing.

ORDER

IT IS THEREFORE ORDERED that the style of this proceeding is hereby amended from "Fayette County Commission" to "Armstrong Public Service District."

IT IS FURTHER ORDERED that the petition of Armstrong Public Service District for Commission consent and approval for the District to borrow \$50,000.00 from the West Virginia Water Development Authority, through either a loan or a BAN, at 3% interest per annum, for a term of three (3) years, is hereby granted.

IT IS FURTHER ORDERED that if there are any changes in the terms of the subject loan, the District must seek Commission approval of those changes, pursuant to *W. Va. Code* § 16-13A-25.

IT IS FURTHER ORDERED that the Commission reaffirms its prior Order issued January 31, 2006, in Case No. 04-1946-PSWD-PC, approving a merger of the Armstrong Public Service District and the Deepwater Public Service District.

IT IS FURTHER ORDERED that upon entry hereof, this case shall be removed from the Commission's docket of open cases.

IT IS FURTHER ORDERED that the Executive Secretary serve a copy of this Order upon all parties of record by First Class United States Mail, and upon Commission Staff by hand.

A True Copy, Text:


Sandra Equino
Executive Secretary

JML/ljm
060755c.wpd

ORIGINAL

ENTERED

041946coma072605.wpd

Order Book 05-HH

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 26th day of July, 2005.

CASE NO. 04-1946-PSWD-PC (Reopened)

FAYETTE COUNTY COMMISSION
Petition to reopen.

COMMISSION ORDER

On December 3, 2004, the Fayette County Commission filed a petition for approval of its November 30, 2004 Order to merge the Deepwater Public Service District (Deepwater PSD) with and into the Armstrong Public Service District (Armstrong PSD). The County Commission's Order, attached to the petition, addressed the expansion of boundaries and the merger of the PSDs to extend water service.

On April 1, 2005, Commission Staff filed a Final Joint Staff Memorandum and noted that it had been informed that the County Commission was working on the merger of Deepwater PSD into Armstrong PSD for the purpose of providing sewer service. Among other things, Staff recommended approval, contingent on bondholder approval, of the petition to merge Deepwater PSD into Armstrong PSD to provide water service to Deepwater PSD's customers.

By Recommended Decision entered on May 23, 2005 (final June 12, 2005), the Administrative Law Judge approved the petition as follows:

IT IS, THEREFORE ORDERED that the Fayette County Commission's Order of November 30, 2004, merging Deepwater Public Service District with and into the Armstrong Public Service District and expanding the boundaries of Armstrong Public Service District with regard to the provision of water service, be and the same hereby is, approved, contingent upon the prior submission by the Fayette County Commission

of approval by the Water Development Authority of the merger, since it holds the outstanding bonds of Deepwater Public Service District.

On June 29, 2005, Staff filed a petition to reopen for clarification of the merger and explained the following in support of its petition:

....

3. The Deepwater PSD was created by the Fayette County Commission Resolution and Order of March 6, 1993 to provide water and sewer service.

4. In addition to water service, Deepwater PSD has been operating a sewer system since 1996 (Certificate of Convenience and Necessity granted in Case No. 93-0661-PSD-CN, 10/20/94).

5. With the merger of Deepwater PSD into Armstrong PSD, Deepwater PSD no longer exists.

6. The outstanding bond issues on Deepwater are liens against the sewer system only.

7. The ordering section of said order discusses expanding Armstrong's boundaries to provide water service and the outstanding bond issue but does not refer to the sewer system.

8. Staff communications with Daniel B. Yonkosky, Director of the WDA, indicate a favorable view of the acquisition of Deepwater's sewer system but is confused by the merger order.

Staff requested that the Commission clarify that the merger of Deepwater PSD into Armstrong PSD necessarily includes the sewer system of Deepwater.

DISCUSSION

Although it appears from Staff's petition to reopen that Staff has communicated with the WDA, the County Commission's position with regard to Staff's petition is not clear. Upon a review of all of the foregoing and given the information contained in the filings and Recommended Decision as to the County Commission's efforts regarding the merger for purposes of providing sewer service, the Commission will direct that the Fayette

County Commission respond to Staff's petition to reopen. Subsequent to receiving the County Commission's response, this Commission will enter a further Order.

FINDINGS OF FACT

1. On December 3, 2004, the Fayette County Commission filed a petition for approval of its November 30, 2004 Order to merge the Deepwater PSD with and into the Armstrong PSD.

2. By Recommended Decision entered on May 23, 2005 (final June 12, 2005), the Administrative Law Judge approved the petition but mentioned only water service.

3. On June 29, 2005, Staff filed a petition to reopen and requested that the Commission clarify that the merger of Deepwater PSD into Armstrong PSD necessarily includes the sewer system of Deepwater.

4. The County Commission has not responded to Staff's petition to reopen.

CONCLUSION OF LAW

The Fayette County Commission should file a response to Staff's petition to reopen.

ORDER

IT IS, THEREFORE, ORDERED that Commission Staff's petition to reopen is hereby granted.

IT IS FURTHER ORDERED that the Fayette County Commission file a response to Commission Staff's petition to reopen within fifteen days of the date of this Order.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties of record by United States First Class Mail and upon Commission Staff by hand delivery.



E. H. STAATS, CHAIRMAN



R. MICHAEL SNAW, COMMISSIONER

TBS/ljm
041946ca.wpd

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

At a session of the Public Service Commission of West Virginia, in the City of Charleston, on the 31st day of January, 2006.

CASE NO. 04-1946-PSWD-PC

FAYETTE COUNTY COMMISSION, Fayetteville,
Fayette County.

Petition for consent and approval to merge Deepwater Public
Service District into Armstrong Public Service District.

COMMISSION ORDER

The Commission finds that conditional approval for a merger of Deepwater PSD into Armstrong PSD as contained in the Recommended Decision dated May 23, 2005, should be clarified that it includes a merger of all of Deepwater's water and sewer operations. The Commission clarification of the May 23, 2005, Recommended Decision does not remove the condition that the merger shall not take place without the prior written approval of the WDA. The intervention of the West Virginia Water Development Authority should be granted and the parties should consult to determine what actions will satisfy WDA's bond deficiency concerns.

Procedure

On December 3, 2004, the Fayette County Commission (County Commission) filed a petition for the Public Service Commission's (PSC or Commission) consent and approval of the County Commission's order to merge the Deepwater Public Service District (Deepwater) with and into the Armstrong Public Service District (Armstrong), in accordance with W. Va. Code § 16-13A-2.

On May 23, 2005, a Recommended Decision was issued which conditionally granted the request to merge the Deepwater Public Service District into Armstrong Public Service District. No exceptions to the Recommended Decision were filed and it became a Final Order of the Commission on June 12, 2005. The condition for finalizing the merger required the Fayette County Commission to obtain approval for the merger from the West Virginia Water Development Authority (WDA), since it holds the outstanding bonds of

Deepwater Public Service District.

On June 29, 2005, the Staff of the PSC petitioned to reopen this case for clarification that the merger included the sewer operations of Deepwater.

On September 19, 2005, the County Commission submitted clarification that its ordered merger of Deepwater into Armstrong "necessarily" includes the sewer system of Deepwater.

On December 23, 2005, the WDA filed a petition to intervene in this proceeding.

DISCUSSION

The Commission believes that it has always been clear that the intent of this proceeding was to merge the entirety of Deepwater Public Service District's water and sewer operations into the Armstrong Public Service District. Upon completion of the merger, Deepwater would cease to exist and its water and sewer authority, as well as its geographic boundaries, would be merged into Armstrong Public Service District. However, we agree with Staff that the wording of the May 23, 2005, Recommended Decision may be confusing or even inconsistent with the intent of this proceeding and may create some doubt as to the elimination of Deepwater as a sewer utility and to the merging of its total water and sewer operations, including its geographic territory, into Armstrong Public Service District.

Specifically, the wording in that Order conditionally approved ". . . merging Deepwater Public Service District with and into the Armstrong Public Service District **and expanding the boundaries of Armstrong Public Service District with regard to the provision of water service.**" (emphasis added). The Commission interpreted this wording to conditionally approve the merging of all of Deepwater Public Service District with and into the Armstrong Public Service District. The additional language regarding the expansion of the boundaries of Armstrong Public Service District was not necessary because the merger itself transferred the geographic authority of Deepwater to Armstrong. However, we agree with Staff that some confusion could arise by the Order's reference to expanding the boundaries of Armstrong PSD "with regard to the provision of water service."

Therefore, the Commission shall grant Staff's petition to reopen this proceeding and clarify that the conditional merger approval given in the May 23, 2005, Recommended Decision applied to the total water and sewer operations of Deepwater. This clarification is not intended to, and does not, eliminate or modify the condition that approval of the WDA is required before this merger can be finalized.

The WDA has indicated that it has some concerns regarding the substantial deficiencies in the sewer revenue bond accounts of Deepwater PSD. WDA has further indicated that it supports the merger of Deepwater PSD into Armstrong; however, it desires that the bond account arrearage be addressed before the merger occurs. WDA has stated that it may propose or support rates that will eliminate the bond account deficiencies or some other remedy which would make the proposed merger possible.

The Commission notes that its Order granting approval for the merger is conditioned upon WDA's approval. Clearly, WDA can, and should, discuss the conditions for its approval with the County Commission, the Public Service Districts and the Staff. Those parties can decide whether a rate proposal, payment schedule or "some other remedy" will satisfy WDA for the purpose of giving its approval to the merger. This condition fully protects the interest of WDA. However, even though the WDA is fully protected by the fact that the merger cannot take place without its approval, we find that its petition to intervene should be granted.

FINDINGS OF FACT

1. On May 23, 2005, a Recommended Decision was issued which contained the following Ordering Paragraph:

IT IS, THEREFORE, ORDERED that the Fayette County Commission's Order of November 30, 2004, merging Deepwater Public Service District with and into the Armstrong Public Service District and expanding the boundaries of Armstrong Public Service District with regard to the provision of water service, be, and the same hereby is, approved, contingent upon the prior submission by the Fayette County Commission of approval by the Water Development Authority of the merger, since it holds the outstanding bonds of Deepwater Public Service District.

Rec. Dec. p. 5. No exceptions were filed, and the Recommended Decision became a final order of the PSC on June 12, 2005.

2. On June 29, 2005, Commission Staff petitioned to reopen the case for clarification, writing, "With the merger of Deepwater PSD into Armstrong PSD, Deepwater PSD no longer exists." Petition to Reopen pp. 1-2. Staff asked that an order be entered to clarify that the merger included sewer service. Id.

3. On September 19, 2005, Fayette County filed a resolution in which it declared that the intent of the merger of Deepwater Public Service District with and into Armstrong

Public Service District was to include both water and sewerage services, as follows:

NOW THEREFORE BE IT HEREBY RESOLVED AND ORDERED that the merger of Deepwater Public Service District with and into Armstrong Public Service District as ordered by the County Commission of Fayette County on November 30, 2004, necessarily includes the sewer system of Deepwater.

4. On December 23, 2005, the West Virginia Water Development Authority petitioned to intervene, advising that it holds sewer revenue bonds for Deepwater, that there are substantial deficiencies in those sewer revenue bond accounts, and that no other party could represent its interests. WDA said it wished to participate in the case to protect its interest as a bondholder and to propose or support rates that will eliminate the bond account deficiencies, or some other remedy, which would make the proposed merger possible. Petition to intervene p. 1.

CONCLUSIONS OF LAW

1. Rule 12.6 of the Commission's Rules of Practice and Procedure permits intervention, in pertinent part, as follows:

(a) Any person having a legal interest in the subject matter of any hearing or investigation pending before the Commission may petition . . . for leave to intervene in such proceeding . . . Leave will not be granted except on allegations reasonably pertinent to the issues already presented

We agree with WDA that, as a bondholder for Deepwater, it has an interest in this proceeding that cannot be protected by any other party. Accordingly, this proceeding may affect WDA and WDA has a legal interest in this case. We also find that the alleged interest is reasonably pertinent to the issues already presented. Therefore, we should grant WDA's petition to intervene.

2. The Ordering paragraph of the May 23, 2005, Recommended Decision should be modified to clarify that the conditional merger granted by the Commission applies to all of Deepwater's water and sewer operations and geographic boundaries.

ORDER

IT IS THEREFORE ORDERED that WDA's petition to intervene is granted.

IT IS FURTHER ORDERED that the first ordering paragraph of the Recommended Decision issued May 23, 2005, is modified to read as follows:

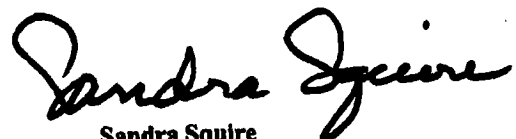
IT IS, THEREFORE, ORDERED that the Fayette County Commission's Order of November 30, 2004, merging Deepwater Public Service District with and into the Armstrong Public Service District, including the expansion of the boundaries of Armstrong Public Service District to encompass the boundaries of the Deepwater Public Service District, be, and the same hereby is, approved, contingent upon the prior submission by the Fayette County Commission of approval by the Water Development Authority of the merger, since it holds the outstanding bonds of Deepwater Public Service District.

IT IS FURTHER ORDERED that the approved merger can be finalized upon the filing with this Commission of WDA's approval without further action by this Commission and that upon such finalization the Certificate or Certificates and all authority granted to Deepwater Public Service District to operate a water and sewer utility shall likewise be cancelled without further action by this Commission.

IT IS FURTHER ORDERED that this proceeding be removed from the Commission's docket of active cases.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties of record by United States First Class Mail and upon Commission Staff by hand delivery.

A True Copy, Teste:



Sandra Squire
Executive Secretary

CLW/sek
041946cb.wpd

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 13th day of October, 2006.

CASE NO. 05-0890-PSD-30B

DEEPWATER PUBLIC SERVICE DISTRICT

Rule 30B application to pass through increased costs of treated sewage from Kanawha Falls PSD to Deepwater's sewer customers (filed 6/15/05).

COMMISSION ORDER

On June 15, 2005, the Deep Water Public Service District (District) filed with the Commission a request to increase its sewer rates and charges, pursuant to Rule 30B of the Commission's *Rules for the Construction and Filing of Tariffs (Tariff Rules)*, 150 C.S.R. Series 2. The District is seeking an increase in its rates to offset an increase in the rates for purchased sewage treatment provided by Kanawha Falls Public Service District (Kanawha Falls).

In Case No. 05-0192-PSD-19A, a Commission Order was entered on April 19, 2005 and Kanawha Falls' increased interim resale rate was set at \$3.68 per 1,000 gallons. Kanawha Falls' interim increase was approved, subject to refund, for all service rendered on or after the date of the Commission Order. The District purchased sewage treatment at Kanawha Falls' interim rates.

Commission Staff, at the utility's request, developed amended tariff sheets, reflecting these increased costs.

On July 6, 2005, Staff filed an Initial and Final Joint Staff Memorandum recommending that the District's rates should be increased by \$0.76 per 1,000 gallons, to be effective upon the date of the Commission's Order. Staff further recommended an increase in the District's leak adjustment rate to \$4.49 per 1,000 gallons (M). Also, on the attached Staff-recommended tariff, Staff revised the language pertaining to the returned check charge, thereby allowing the District to charge their customers, whose check is

returned for insufficient funds, a service charge equal to the actual bank fee assessed to the District, up to a maximum of \$25.00.

On August 3, 2006, the Commission entered an Order which approved, on an interim basis, the proposed \$0.76 per thousand gallon increase in sewer rates to be added to the District's rates to offset its cost of sewage treatment provided by Kanawha Falls. Furthermore, the Commission approved, on an interim basis, Staff's proposed incremental leak adjustment rate of \$4.49 per thousand gallons, as well as the revised returned check charge. The Commission also directed the District to publish a notice of the interim rates. The interim rates approved would be subject to refund if substantial protests are received in response to the publication and the Commission finds, upon further review, that the interim rates are not justified.

On September 25, 2006, Staff filed a Further Joint Staff Memorandum, noting that the Commission adopted the final Kanawha Falls rates in Case No. 05-0192-PSD-19A on September 15, 2006. Thus, Staff recalculated the rates in the present case. Staff indicated that the District was billed by Kanawha Falls on its customer's water usage only, not by master meter. Previously, the District's cost of treatment was \$3.68 per M gallons. The District's filing is based on information compiled for the Fiscal Year Ending June 30, 2005, which showed the District had 8,513 M gallons treated at a cost of \$31,327.84. Pursuant to its calculations, Staff said the District will incur a decrease of \$85.13 in annual treatment costs at the new rate of \$3.67 per M gallons. Staff used the same time period and volume of sewage in determining the decrease in the District's sewage treatment costs. Based upon those calculations, Staff said the \$0.01 difference indicates the per M gallon decrease necessary for the District to reduce its rates for the decrease in sewage treatment costs. The decrease equates to a .001% reduction in rates for the average customer, based on 4,500 gallons of water usage. Given the decrease in treatment costs, Staff also recalculated and increased the District's leak adjustment rate to \$4.59 per M gallons. Staff suggested that its recommended tariff be approved.

DISCUSSION

The Commission finds that, based upon Kanawha Falls' rates which were recently approved, Staff's recommended rates for the District are reasonable. However, the Commission notes that the District did not comply with the Commission Order of August 3, 2006, which required the District to publish notice of the interim rates it had been granted. The Commission does not take lightly the disregard of its Orders. The Commission hereby gives notice that continued disregard for Commission orders may result in the imposition of civil penalties, pursuant to West Virginia Code § 24-4-5.

In this instance, the Commission will grant to the District, Staff's recommended rates, as interim rates, and require the District to immediately publish the attached notice of the interim rates. The Commission will also direct the District to file affidavits of publication evidencing publication as ordered herein, within ten days of the publication

date. The interim rates approved will be subject to refund if substantial protests are received in response to the publication and the Commission finds, upon further review, that the interim rates are not justified.

FINDINGS OF FACT

1. On June 15, 2005, the District filed a request to increase its sewer rates and charges, pursuant to *Tariff Rule 30B*, to offset an increase in the rates for purchased sewage treatment provided by Kanawha Falls.

2. On August 3, 2006, the Commission approved interim rates for the District, as well as a revised incremental leak adjustment rate and revised returned check charge. The Commission also directed the District to publish a notice of the interim rates.

3. The Commission adopted the final Kanawha Falls rates in Case No. 05-0192-PSD-19A on September 15, 2006.

4. On September 25, 2006, Staff recommended that the District be granted a \$0.01 per M gallon decrease in sewer rates, that a new leak adjustment rate be approved and that the Staff-recommended tariff be approved.

CONCLUSIONS OF LAW

1. Based upon Kanawha Falls' rates which were recently approved, Staff's recommended rates for the District are reasonable.

2. The District did not comply with the Commission Order of August 3, 2006, which required the District to publish notice of the interim rates it had been granted.

3. Staff's recommended rates should be granted as interim rates.

4. The District should immediately publish the attached notice of the interim rates approved herein and file affidavits of publication within ten days of the publication date. The interim rates approved will be subject to refund if substantial protests are received in response to the publication and the Commission finds, upon further review, that the interim rates are not justified.

ORDER

IT IS THEREFORE ORDERED that the Deepwater Public Service District shall immediately publish the notice of filing, attached hereto as Attachment A, as a Class I legal publication, in a newspaper published and of general circulation in the county(ies) where its customers reside.

IT IS FURTHER ORDERED that the Deepwater Public Service District file affidavits of publication evidencing publication as ordered herein, within ten days of the publication date.

IT IS FURTHER ORDERED that the Staff recommended rates, attached hereto as Attachment B, are hereby approved for use by the Deepwater Public Service District on an interim basis on all bills rendered on and after the date of this Order.

IT IS FURTHER ORDERED that the interim rates approved herein are subject to refund if substantial protests are received in response to such publication, and, the Commission finds, upon further review, that the interim rates are not justified.

IT IS FURTHER ORDERED that within thirty (30) days of the date of this Order, the Deepwater Public Service District shall file with the Commission a revised tariff setting forth the new rates and charges. Such filing shall clearly indicate that such rates are interim rates.

IT IS FURTHER ORDERED that the Executive Secretary serve a copy of this Order upon all parties of record by First Class United States Mail, and upon Commission Staff by hand.

A True Copy, Testes:


Sandra Squire
Executive Secretary

TBS/ljm
050890ca.wpd

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

CASE NO. 05-0890-PSD-30B

DEEPWATER PUBLIC SERVICE DISTRICT

Rule 30B application to pass through increase costs of
treated sewage from Kanawha Falls PSD.

NOTICE OF FILING

NOTICE is hereby given that Deepwater Public Service District, a public utility, has filed with the Public Service Commission of West Virginia, an application to increase its rates and charges for furnishing sewer service to approximately 148 customers in Fayette County.

Commission Staff reviewed the District's application and recommended that the District be permitted to raise its rates and charges to recover interim increased costs of purchased sewage treatment it pays to Kanawha Falls Public Service District. The Commission has approved Staff's recommended rates on an interim basis, that increase rates by \$ 0.75 per thousand gallons. The Commission also approved, on an interim basis, Staff's proposed incremental leak adjustment rate of \$4.59 per thousand gallons of metered water usage. Finally, the Commission also approved Staff's revision to the District's returned check charge to allow the District to charge their customers, whose check is returned for insufficient funds, a service charge equal to the actual bank fee assessed to the District, up to a maximum of \$25.00.

The 30B procedure is designed to provide for a change in rates and charges in order to produce additional revenue sufficient, but no more than sufficient, to offset increased cost for gas, water, sewage treatment, or electricity or for transportation of the same to utilities. Consequently, protest should be limited to the reasonableness of the cost offset and the method by which it is calculated. Anyone desiring to protest or intervene should file a written protest or notice of intervention within twenty (20) days following the date of this publication unless otherwise modified by Commission order. Failure to timely intervene can affect your rights to protest any rate increases and to participate in future proceedings. Requests to intervene must comply with the Commission's rules on intervention. All protests and interventions should be addressed to the Executive Secretary, Public Service Commission of West Virginia, P.O. Box 812, Charleston, WV 25323.

DEEPWATER PUBLIC SERVICE DISTRICT - SEWER
Case No. 05-0890-PSD-30B

APPROVED INTERIM RATES

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial and industrial sewer service.

- (D) RATES(Customers with metered water supply)
\$12.44 per 1,000 gallons of water used.

MINIMUM CHARGE

No bill will be rendered for less than \$35.07 per month, which is the equivalent of 3,000 gallons of water used.

- (D) The above minimum charge is subject to an additional \$0.75 per 1,000 gallons of water used per month.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$250.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

ENTERED
Order Book 05-AA

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

ORIGINAL

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in Charleston, West Virginia on this 22nd day of June, 2005.

CASE NO. 05-0508-PSD-30B

ARMSTRONG PUBLIC SERVICE DISTRICT,
a public utility, Kimberly, Fayette County.

Rule 30-B application to pass through increased costs
of sewage treatment provided by Kanawha Falls Public
Service District to Armstrong's sewer customers.

COMMISSION ORDER

On April 14, 2005, the Armstrong Public Service District (Armstrong) filed with the Commission a request to increase its sewer rates and charges, pursuant to Rule 30-B of the Commission's Rules for the Construction and Filing of Tariffs (Tariff Rules), 150 C.S.R. Series 2. Armstrong is seeking an increase in its rates to offset an increase in the rates for purchased sewage treatment provided by Kanawha Falls Public Service District (Kanawha Falls).

Armstrong filed amended tariff sheets with its application, reflecting these increased costs.

By order issued April 19, 2005, the Commission approved an interim rate increase of 25.9%, subject to refund, for Kanawha Falls which contained a resale rate of \$3.68 per thousand gallons. While those rates are not yet final, Armstrong now purchases wastewater treatment at Kanawha Falls' interim rates. See, Case No. 05-0192-PSD-19A.

On May 9, 2005, Commission Staff filed an Initial and Final Joint Staff Memorandum and noted the District requested a \$0.18 per thousand gallon increase to recover an increase in treatment costs from \$2.42 per thousand gallons to \$3.10 per thousand gallons, which went into effect on February 10, 2005. Staff indicated it would process both that increase and the increase resulting from Kanawha Falls' current interim rates.

Staff recommended that Armstrong's rates should be increased by \$0.76 per thousand gallons of metered sewer usage, to be effective upon the date of the Commission's order. Staff also recommended a revised leak adjustment rate of \$3.69 per thousand gallons. Commission Staff further noted that the increase is based on the interim rate increase from Kanawha Falls and would be subject to refund if the resale rate in the Kanawha Falls' rate case is found to be too high.

Pursuant to Tariff Rule 13.1.c, the Commission may order interim rates as soon as possible after the filing of amended tariff sheets by either the utility or Staff by requiring the utility to provide notice by publishing one time in a newspaper of general circulation in each county where the utility provides service. Such rates take effect immediately, on an interim basis, subject to refund. The rule also states that if substantial protests are received, and the Commission finds upon further review that interim rates are not justified, refunds will be ordered. Staff has recommended that the Commission order interim rates, upon the facts and circumstances of this case.

UPON CONSIDERATION WHEREOF, the Commission concludes that Staff's proposed increase accurately reflects Armstrong's increased cost of sewage treatment provided by Kanawha Falls.

Therefore, the Commission finds it reasonable and appropriate to approve, on an interim basis, the proposed increase of \$0.76 per thousand gallons of metered water usage to be added to Armstrong's rates to offset its cost of sewage treatment provided by Kanawha Falls, as well as the revised leak adjustment rate. The Commission will approve the rates, attached hereto as Attachment B, for use by Armstrong on an interim basis for all bills rendered on and after the date of this Order. Armstrong shall be required to publish a notice of the interim rates, attached hereto as Attachment A. The interim rates approved herein shall be subject to refund if substantial protests are received in response to the publication and the Commission finds, upon further review, that the interim rates are not justified. Following expiration of the protest period provided in the notice, in the absence of substantial protest and following the rates for Kanawha Falls becoming final in Case No. 05-0192-PSD-19A, the Commission will issue a further order finally adopting the interim rates.

ORDER

IT IS THEREFORE ORDERED that the Armstrong Public Service District, shall, as soon as possible, publish the notice of filing, attached hereto as Attachment A, as a Class I legal publication, in a newspaper published and of general circulation in the county(ies) where its customers reside.

IT IS FURTHER ORDERED that Armstrong Public Service District file affidavits of publication evidencing publication as ordered herein, within ten days of the publication date.

IT IS FURTHER ORDERED that the Staff recommended rates, attached hereto as Attachment B, are hereby approved for use by Armstrong Public Service District on an interim basis on all bills rendered on and after the date of this Order.

IT IS FURTHER ORDERED that the interim rates approved herein are subject to refund if substantial protests are received in response to such publication, and, the Commission finds, upon further review, that the interim rates are not justified.

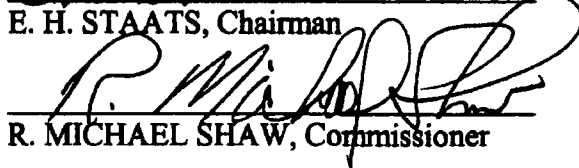
IT IS FURTHER ORDERED that within thirty (30) days of the date of this Order, Armstrong Public Service District shall file with the Commission a revised tariff setting forth the new rates and charges.

IT IS FURTHER ORDERED that the Commission Staff shall file a further memorandum in this case, advising the Commission of the date upon which the rates for the Kanawha Falls Public Service District become final in Case No. 05-0192-PSD-19A.

IT IS FURTHER ORDERED that the Executive Secretary serve a copy of this Order upon all parties of record by First Class United States Mail, and upon Commission Staff by hand.



E. H. STAATS, Chairman



R. MICHAEL SHAW, Commissioner

TBS/LHG/lhg
050508c.wpd

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

CASE NO. 05-0508-PSD-30B

**ARMSTRONG PUBLIC SERVICE DISTRICT,
a public utility, Kimberly, Fayette County.**

**Rule 30-B application to pass through increased costs
of sewage treatment provided by Kanawha Falls Public
Service District to Armstrong's sewer customers.**

NOTICE OF FILING

NOTICE is hereby given that Armstrong Public Service District (Armstrong), a public utility, has filed with the Public Service Commission of West Virginia, an application to increase its rates and charges for furnishing sewage service to 794 customers in Fayette County, West Virginia.

Commission Staff has reviewed Armstrong's application and recommended that Armstrong be permitted to raise its rates and charges to recover interim increased costs of purchased sewage treatment it pays to Kanawha Falls Public Service District. The Commission has approved Staff's recommended rates on an interim basis, that increase rates by \$0.76 per 1,000 gallons metered sewage usage. The Commission also approved, on an interim basis, Staff's proposed incremental leak adjustment rate of \$3.69 per thousand gallons.

The 30-B procedure is designed to provide for a change in rates and charges in order to produce additional revenue sufficient, but no more than sufficient, to offset increased cost for gas, water, sewage treatment, or electricity or for transportation of the same to utilities. Consequently, protest should be limited to the reasonableness of the cost offset and the method by which it is calculated. Anyone desiring to protest or intervene should file a written protest or notice of intervention within twenty (20) days following the date of this publication unless otherwise modified by Commission order. Failure to timely intervene can affect your rights to protest any rate increases and to participate in future proceedings. Requests to intervene must comply with the Commission's rules on intervention. All protests and interventions should be addressed to the Executive Secretary, Public Service Commission of West Virginia, P.O. Box 812, Charleston, WV 25323.

ARMSTRONG PUBLIC SERVICE DISTRICT
CASE NO. 05-0508-PSD-30B

INTERIM RATES

(C) APPLICABILITY

Applicable within the entire territory served

(N) AVAILABILITY

Available for general domestic, commercial and industrial service and sale for resale sewer service.

(C,I) RATES (customers with metered water supply)

First	2,000 gallons of water used per month	\$8.28 per 1,000 gallons
All Over	2,000 gallons of water used per month	\$5.64 per 1,000 gallons

(C,I) FLAT RATE CHARGE (Customers with non-metered water supply)

Equivalent of 5,000 gallons of water usage or \$33.48 per month.

MINIMUM CHARGE

No bill will be rendered for less than \$15.04 per month.

- (N) The above minimum charge is subject to an additional \$0.76 per 1,000 gallons of water used per month.

(C) TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$150.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.

(C) DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

(C,I) INCREMENTAL LEAK ADJUSTMENT

\$3.69 per 1,000 gallons of water is to be used when a bill reflects unusual water consumption which can be attributed to eligible leakage on customer's side of meter. This rate shall be applied to all such consumption above the customer's historical average usage.

- (C)** Indicates change in text
- (I)** Indicates increase
- (N)** Indicates new item

FURTHER FINAL JOINT STAFF MEMORANDUM

TO: SANDRA SQUIRE
Executive Secretary

DATE: October 18, 2006

FROM: RONALD E. ROBERTSON, JR.
Staff Attorney

RR

SUBJECT: CASE NO. 05-0508-PSD-30B
ARMSTRONG PUBLIC SERVICE DISTRICT

RECEIVED
06 OCT 18 PM 1:28
WA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

On April 14, 2005, Armstrong Public Service District (Armstrong) filed a 30-B application to increase its sewer rates and charges to recover the increased costs of wastewater treatment from its provider, Kanawha Falls Public Service District (Kanawha Falls).

On May 9, 2005, Staff recommended a \$0.76 per 1,000 gallons increase in rates. The increase was based upon an interim resale rate of \$3.68 per 1,000 gallons granted to Kanawha Falls on April 19, 2005. On June 22, 2005, the Commission ordered Staff to file a further final memorandum when the final rates were approved in Kanawha Falls rate case in Case No. 05-0192-PSD-19A.

On September 15, 2006, the Commission approved the final rates of Kanawha Falls in Case No. 05-0192-PSD-19A.

Attached is the internal memorandum of Nathan Nelson, Utilities Analyst I, Water and Wastewater Division, that provides a financial analysis of Staff's position. A current tariff and a Staff recommended tariff are attached to reflect the incremental cost passed onto the customers whose treatment generated the extra cost to Armstrong. Armstrong's increased sewer rates that are approved by the Commission will become effective on the same date that the Commission's Final Order is entered.

The Commission can enter a Final Order granting the sewer rate increase as recommended by Staff concerning Armstrong's sewer treatment costs and leak adjustment rate.

RER/s
Attachment

CWS CWS

G:\Home\RR\ROBERTSON\2005\MEMOS\050508b.wpd

PUBLIC SERVICE COMMISSION OF WEST VIRGINIA

FURTHER FINAL INTERNAL MEMORANDUM

DATE: October 10, 2006

TO: Ronald Robertson, Jr., Staff Attorney
Legal Division

FROM: Nathan Nelson, Utilities Analyst II *NSP*
Water and Wastewater Division

SUBJECT: Case No. 05-0508-PSD-30B
Armstrong Public Service District
Further Final Memorandum

RECEIVED
OCT 11 10 00 AM
LEGAL DIVISION

On April 14, 2005, Armstrong Public Service District (District) filed this 30-B case to pass through increased sewage treatment costs from its provider Kanawha Falls Public Service District (Kanawha Falls). On May 9, 2005, Staff recommended a \$0.76 per 1,000 gallon increase in rates. The increase was based on an interim resale rate of \$3.68 per 1,000 gallons granted to Kanawha falls on April 19, 2005. Staff was ordered to file a further final when the final rates were approved in the Kanawha Falls case. On September 15, 2006, the final rates in the Kanawha Falls case were approved. The final rates contained a resale rate which was reduced \$0.01 to \$3.67 per 1,000 gallons per month. Staff will recalculate the District's rates based on the \$3.67 resale rate.

As noted above, Kanawha Falls' interim resale rate was approved at \$3.68 per 1,000 gallons. Because the District is billed by Kanawha Falls on its customer's water usage rather than by master meter, the District's total cost of treatment is essentially the resale rate. Staff's calculation, based on the interim rate, is as follows:

Sewage treatment costs, FYE 6/30/04 = \$139,987 = \$3.68 per 1,000 gallons
M gallons sold, FYE 6/30/04 38,040

The cost of treating an equal amount of sewage with the final resale rate will be \$139,607 annually, or a reduction of \$380. Staff's calculation is as follows:

Sewage treatment costs, FYE 6/30/04 = \$139,607 = \$3.67 per 1,000 gallons
M gallons sold, FYE 6/30/04 38,040

As the above calculation shows, the District requires a \$0.01 decrease in its previously approved interim rates. Given this decrease, Staff has also recalculated the District's leak adjustment charge. This rate takes into account the District's cost of treatment and power purchased for pumping. Staff's calculation is as follows:

Ronald Robertson, Jr., Staff Attorney

Re: Case No. 05-0508-PSD-30B

October 10, 2006

Page 2

Sewage Treatment Costs	\$139,607
<u>Power for Pumping</u>	<u>525</u>
Total	\$140,132

$\$140,132 \div 38,040$ (M gallons sold) = \$3.68 per 1,000 gallons

Staff recommends the District be granted approval of a \$0.01 per 1,000 gallon reduction in rates. Additionally, Staff recommends approval of a new leak adjustment rate of \$3.68. Staff defers to the Legal Division the question of whether or not Armstrong PSD shall refund the \$.01 reduction from the interim rate to the final rate. Staff has attached the District's Current (Interim) Tariff (Attachment 1) and a Staff Recommended Tariff (Attachment 2) which sets forth the new rates and charges.

NN/vlm

Attachments

H:\vmler\WordDocs\Nelson, Nathan\05-0508 Further Final Armstrong f.doc

11/1/06
vlm

Attachment 1
Sheet 1 of 2

ARMSTRONG PUBLIC SERVICE DISTRICT
Case No. 05-0508-PSD-30B

CURRENT INTERIM TARIFF

APPLICABILITY

Applicable within the entire territory served

AVAILABILITY

Available for general domestic, commercial and industrial service and sale for resale sewer service

RATES (customers with metered water supply)

First	2,000gallons of water used per month	\$8.28 per 1,000 gallons
All Over	2,000gallons of water used per month	\$5.64 per 1,000 gallons

FLAT RATE CHARGE (Customers with non-metered water supply)

Equivalent of 5,000 gallons of water usage or \$33.48 per month

MINIMUM CHARGE

No bill will be rendered for less than \$15.04 per month.

The above minimum charge is subject to an additional \$0.76 per 1,000 gallons of water used per month.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$150.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

Attachment 1
Sheet 2 of 2

ARMSTRONG PUBLIC SERVICE DISTRICT
Case No. 05-0508-PSD-30B

CURRENT INTERIM TARIFF

INCREMENTAL LEAK ADJUSTMENT

\$3.69 per 1,000 gallons of water is to be used when a bill reflects unusual water consumption which can be attributed to eligible leakage on customer's side of meter. This rate shall be applied to all such consumption above the customer's historical average usage.

Attachment 2
Sheet 1 of 2

ARMSTRONG PUBLIC SERVICE DISTRICT
Case No. 05-0508-PSD-30B

STAFF RECOMMENDED TARIFF

APPLICABILITY

Applicable within the entire territory served

AVAILABILITY

Available for general domestic, commercial and industrial service and sale for resale sewer service

- (D) **RATES** (customers with metered water supply)
- | | | |
|----------|--------------------------------------|--------------------------|
| First | 2,000gallons of water used per month | \$8.27 per 1,000 gallons |
| All Over | 2,000gallons of water used per month | \$5.63 per 1,000 gallons |

FLAT RATE CHARGE (Customers with non-metered water supply)
Equivalent of 5,000 gallons of water usage or \$33.43 per month

MINIMUM CHARGE

No bill will be rendered for less than \$15.04 per month.

- (D) The above minimum charge is subject to an additional \$0.75 per 1,000 gallons of water used per month.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$150.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

Attachment 1
Sheet 2 of 2

ARMSTRONG PUBLIC SERVICE DISTRICT
Case No. 05-0508-PSD-30B

STAFF RECOMMENDED TARIFF

- (D) INCREMENTAL LEAK ADJUSTMENT
\$3.68 per 1,000 gallons of water is to be used when a bill reflects unusual water consumption which can be attributed to eligible leakage on customer's side of meter. This rate shall be applied to all such consumption above the customer's historical average usage.

- (D) Indicates Decrease

BOOK 000 PAGE 481

IN THE COUNTY COMMISSION OF FAYETTE COUNTY, WEST VIRGINIA**IN RE:****MERGER OF DEEPWATER PUBLIC SERVICE DISTRICT WITH AND
INTO ARMSTRONG PUBLIC SERVICE DISTRICT PURSUANT TO
ARTICLE 13A OF CHAPTER 16 OF THE CODE OF WEST VIRGINIA,
AS AMENDED****ORDER**

On this the 30th day of November, 2004, came the Deepwater Public Service District and the Armstrong Public Service District, public corporations, pursuant to a Petition previously filed and an Order setting the date for a public hearing pursuant to notice which was published in the Montgomery Herald, a newspaper of general circulation in Valley District, Fayette County, West Virginia, on November 10, 2004, a copy of said Notice and the Certificate of Publication having been tendered to the Commission on this date, and further pursuant to five notices conspicuously posted within the area of each Public Service District.

Whereupon, Lynn B. Pollard, counsel for the Public Service District moved that the Fayette County Commission approve the merger of Deepwater Public Service District with and into Armstrong Public Service District pursuant to the aforesaid Petition, which Petition contained a legal description of the territory proposed to be encompassed by the merger and enlargement of the boundaries together with a map showing the proposed boundary changes. Lynn B. Pollard informed the Court that the District wished to merge and to enlarge its boundaries to construct, maintain, operate, improve and extend water services within the territory and to serve additional customers more efficiently in the merged area. In addition, the merged districts, so long as funding is approved, intend to eliminate the Deepwater water plant (Armstrong's water plant will supply water to Deepwater, upgrade the water lines for Powellton, Deepwater and Kimberly customers (current lines

are 30 to 50 years old), upgrade the water tanks in Powellton and Deepwater and to provide Fire Protection for Deepwater's customers (currently the fire department must come to Adams Village or to the creek for water).

Whereupon, Kenneth L. Eskew, President, inquired as to whether or not there was anyone present who opposed the proposed merger and boundary change and there being no one present in opposition to said change. John H. Lopes, Commissioner, moved for the approval of the merger and boundary change pursuant to the previously filed Petition, and Kenneth L. Eskew, Commissioner, seconded said motion, and after many questions and much deliberation, the President put the question on the motion and the roll being called, the following voted:

Aye: Eskew—aye; Lopes—aye; Wender—absent

Nay: None

Whereupon, the President declared the motion duly carried and said Order duly adopted on motion and vote.

Therefore, it is **ORDERED** that the merger of Deepwater Public Service District with and into Armstrong Public Service District and the boundaries of the same, are hereby enlarged to encompass the following:

BEGINNING at a point in the center of Kanawha River, having a latitude of N 38° 07' 21" and a longitude of W 81° 14' 18", thence S 0.5 miles to a point having a latitude of N 38° 06' 54" and longitude W 81° 14' 18", thence W 0.9 miles to a point having a latitude N 38° 06' 54" and longitude W 81° 15', thence N 60° 36' W 1.6 miles to a point having a latitude N 38° 07' 26", a longitude W 81° 16' 28", thence N 0.5 miles more or less to center of Kanawha River and thence upstream 2.7 miles to beginning, containing 1.5 square miles more or less, and being a part of the Kanawha Magisterial District of Fayette County, West Virginia.

Beginning at a point in the Great Kanawha River approximately 2,000 feet down stream from the mouth of Armstrong Creek, thence up the Great Kanawha River

000000 PAGE 4 OF 5

approximately 6,300 feet, thence leaving the river S 32° 45' W. 1,400 feet, N. 57° 15' W. 3,000 feet, S 32° 45' W. 12,000 feet, S 17° 00' W. 4,000 feet, S 39° 45' W. 7,000 feet, S 17° 00' W. 2,000 feet, N. 75° 00' W. 6,000 feet, S 17° 00' W. 4,300 feet, S 1° 15' W. 4,300 feet, N. 82° 45' W. 2,000 feet, N. 1° 15' E. 5,000 feet, N. 17° (N) E. 16,000 feet, N. 32° 45' E. 7,000 feet, N. 57° 15' W. 3,000 feet, N. 32° 45' E. 2,000 feet, N. 57° 15' E. 3,000 feet, N. 32° 45' E. 6,300 feet to place of beginning, comprising the communities of Mt. Carbon, Kimberly, Columbia, Jenkins Fork, Elk Ridge and Powellton."

All territory encompassed by the proposed merger of Deepwater Public Service District with and into Armstrong Public Service District and the proposed enlargement is in the county of Fayette, West Virginia. The purpose for the expansion of the boundaries and merger of the public service districts is to extend water service within such territory and outside of such territory to the extent permitted by law as well as the other purposes as stated herein. The merged District shall have 5 commissioners.

It is ORDERED that a certified copy of this Order be sent to the Public Service Commission pursuant to West Virginia Code 16-13A-2 and also a copy to the County Commission of Fayette County.

James E. Moore
PRESIDENT

John H. Long
COMMISSIONER

William W. Warden
COMMISSIONER

ATTEST: *Kevin Holliday*
CLERK



IN THE COUNTY COMMISSION OF FAYETTE COUNTY, WEST VIRGINIA

IN RE:

**MERGER OF DEEPWATER PUBLIC SERVICE DISTRICT WITH AND
INTO ARMSTRONG PUBLIC SERVICE DISTRICT PURSUANT TO
ARTICLE 13A OF CHARTER 16 OF THE CODE OF WEST VIRGINIA,
AS AMENDED**

WHEREAS, the Deepwater Public Service District was created to provide both water and sewerage services by order dated March 6, 1963 and entered to record by the County Commission of Fayette County; and

WHEREAS, the intent of the merger of Deepwater Public Service District with and into Armstrong Public Service District pursuant to Article 13A of Chapter 16 of the Code of West Virginia, as amended, was to include both water and sewerage services; and

WHEREAS, by Order Dated July 26, 2005 and entered by the Public Service Commission of West Virginia and received in this office on September 1, 2005, the County Commission of Fayette County was requested to clarify that the merger of Deepwater Public Service District into Armstrong Public Service District necessarily includes the sewer system of Deepwater;


NOW THEREFORE BE IT HEREBY RESOLVED AND ORDERED that the merger of Deepwater Public Service District with and into Armstrong Public Service District as ordered by the County Commission of Fayette County on November 30, 2004, necessarily includes the sewer system of Deepwater.

Entered to record this 16th day of September, 2005.

County Commission of Fayette County


Matthew D. Wampler, President


John H. Lopez, Commissioner


Kenneth L. Makew, Commissioner

The regular business meeting of the Armstrong Public Service District was held on Wednesday, January 18, 2006, 10:00 a.m.

Personnel present were: Thomas Bowen, Donald Navarro, Judson Wallace, Beverly Middleton, and Robin Mitchell.

Donald Navarro made a motion for all board members and office positions to stay the same. Seconded by Judson Wallace. All three in agreement.

Secretary's report was read and approved as read with a motion by Donald Navarro and seconded by Judson Wallace. All three in agreement.

Donald Navarro made a motion to accept financial report. Seconded by Judson Wallace. All three in agreement.


Discussion was made on an update that needs to be installed in the computer that shows a water / sewer balance and also a report that shows the same balance as the bank statements. The update would be free but Jeff Feamster would have to come to the office to install it and that would cost approximately \$1,000.00.

Donald Navarro made a motion that any employee who writes anything in log book that doesn't pertain to daily operations of water plant will get 2-days off without pay. And any employee who writes anything on time card or doesn't clock in or out will get 2-hours without pay. Seconded by Judson Wallace. All three in agreement. (memo's will be posted)

Michael Johnson is to find out what is necessary to relocate meter at Tammy Riley's residence and let the Commissioners know.

Beverly is to issue a check for mileage @.32cents per mile and split the amount between Dale and Leo for a class they took in November.

Judson Wallace made a motion to adjourn meeting at 10:45 a.m. seconded by Donald Navarro. All three in agreement.


Thomas Bowen, Chairman


Judson Wallace, Secretary



1600 LAIDLEY TOWER • P.O. BOX 553 • CHARLESTON, WEST VIRGINIA 25322 • TELEPHONE: 304-340-1000 • TELECOPIER: 304-340-1130
DIRECT NO. (304) 340-1318 www.jacksonkelly.com FAX NO. (304) 340-1272
EMAIL: sgee@jacksonkelly.com

February 9, 2007

CERTIFIED - RETURN
RECEIPT REQUESTED

Internal Revenue Service Center
Ogden, UT 84201

Re: Transfer and Assumption by and between Armstrong Public
Service District and Deepwater Public Service District

Ladies and Gentlemen:

Enclosed are two copies of Form 8038-G, Information Return for Tax-Exempt Governmental Obligations, relative to the above-described bond issue. Please file one copy and return one copy marked "Filed" to the undersigned in the enclosed postage paid, self-addressed envelope.

Very truly yours,

Samme L. Gee

SLG:lp

Enclosures

{C1157758.1}

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC.

Part I Reporting Authority		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name Armstrong Public Service District	2 Issuer's employer identification number 55 0489583		
3 Name and street (or P.O. box if mail is not delivered to street address) Box 156	Room/suite	4 Report number 3 1	
5 City, town, or post office, state, and ZIP code Kimberly, West Virginia 25118-0156		6 Date of issue December 21, 2006	
7 Name of issue Armstrong Public Service District Sewer Revenue Bonds, Series 1994 A (West Virginia Water Development Authority) (Formerly Deepwater Public Service District Sewer Revenue Bonds, Series #		8 CUSIP number N/A	
9 Name and title of officer or legal representative whom the IRS may call for more information Donald White, Chairman		10 Telephone number of officer or legal representative (304) 442-4957	

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule	
11 <input type="checkbox"/> Education	11
12 <input type="checkbox"/> Health and hospital	12
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public safety	14
15 <input checked="" type="checkbox"/> Environment (including sewage bonds)	15 429,000
16 <input type="checkbox"/> Housing	16
17 <input type="checkbox"/> Utilities	17
18 <input type="checkbox"/> Other. Describe ►	18
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	10/1/33	\$ 29,598.98	\$ 29,598.98	27.53 years	6.743993 %

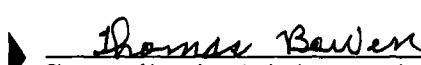
Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)	
22 Proceeds used for accrued interest	22 0
23 Issue price of entire issue (enter amount from line 21, column (b))	23 429,000
24 Proceeds used for bond issuance costs (including underwriters' discount)	24 12,500
25 Proceeds used for credit enhancement	25 0
26 Proceeds allocated to reasonably required reserve or replacement fund	26 31,598
27 Proceeds used to currently refund prior issues	27
28 Proceeds used to advance refund prior issues	28 0
29 Total (add lines 24 through 28)	29 44,098
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30 384,902

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)	
31 Enter the remaining weighted average maturity of the bonds to be currently refunded	N/A years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	years
33 Enter the last date on which the refunded bonds will be called	
34 Enter the date(s) the refunded bonds were issued	

Part VI Miscellaneous	
35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a
b Enter the final maturity date of the guaranteed investment contract	
37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a
b If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input checked="" type="checkbox"/> and enter the name of the issuer West Virginia Water Development Authority and the date of the issue 9/27/94	
38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box <input type="checkbox"/>	
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box <input type="checkbox"/>	
40 If the issuer has identified a hedge, check box <input type="checkbox"/>	

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Sign Here

	December 21, 2006	Thomas Bowen
Signature of issuer's authorized representative	Date	Type or print name and title

For Paperwork Reduction Act Notice, see page 2 of the Instructions.

Cat. No. 63773S

Form **8038-G** (Rev. 11-2000)

*1994 A (West Virginia Water Development Authority)

**see attached

ATTACHMENT TO 8038-G

- **** Armstrong Public Service District assumed Deepwater Public Service District Sewer Revenue Bonds, Series 1994 A (the "Deepwater Bonds") as listed on the attached 8038-G, through merger on December 21, 2006. The above information intended to supplement and amend the 8038-G filed on November 15, 1994 for the former Deepwater Bonds.

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

(Use Form 8038-GC if the issue price is under \$100,000.)

OMB No. 1545-0720

Part I Reporting Authority		If Amended Return, check here ► <input type="checkbox"/>	
1 Issuer's name Deepwater Public Service District		2 Issuer's employer identification number 55 : 0489583	
3 Number and street (or P.O. box if mail is not delivered to street address) P.O. Box 386		Room/suite	4 Report number G1994 - 1
5 City, town, state, and ZIP code Deepwater, WV 25057		6 Date of issue November 15, 1994	
7 Name of issue Deepwater Public Service District \$429,000 Sewer Revenue Bond, Series 1994 A		8 CUSIP Number N/A	

Part II Type of Issue (check applicable box(es) and enter the issue price)		Issue price
9 <input type="checkbox"/> Education (attach schedule—see instructions)		\$
10 <input type="checkbox"/> Health and hospital (attach schedule—see instructions)		
11 <input type="checkbox"/> Transportation		
12 <input type="checkbox"/> Public safety		
13 <input checked="" type="checkbox"/> Environment (including sewage bonds)		\$429,000
14 <input type="checkbox"/> Housing		
15 <input type="checkbox"/> Utilities		
16 <input type="checkbox"/> Other. Describe (see instructions) ►		
17 If obligations are tax or other revenue anticipation bonds, check box ► <input type="checkbox"/>		
18 If obligations are in the form of a lease or installment sale, check box ► <input type="checkbox"/>		

Part III Description of Obligations							
	(a) Maturity date	(b) Interest rate	(c) Issue price	(d) Stated redemption price at maturity	(e) Weighted average maturity	(f) Yield	(g) Net interest cost
19 Final maturity.	10/1/33	6.75 %	29,598.98	29,598.98			
20 Entire issue .			429,000	429,000	27.53 years	6.7439%	6.75 %

Part IV Uses of Original Proceeds of Bond Issue (including underwriters' discount)			
21 Proceeds used for accrued interest	21	-0-	
22 Issue price of entire issue (enter amount from line 20, column (c))	22	429,000	
23 Proceeds used for bond issuance costs (including underwriters' discount)	23	12,500	
24 Proceeds used for credit enhancement	24	-0-	
25 Proceeds allocated to reasonably required reserve or replacement fund	25	31,598	
26 Proceeds used to refund prior issues	26	-0-	
27 Total (add lines 23 through 26)	27	44,098	
28 Nonrefunding proceeds of the issue (subtract line 27 from line 22 and enter amount here)	28	384,902	

Part V Description of Refunded Bonds (complete this part only for refunding bonds)	
29 Enter the remaining weighted average maturity of the bonds to be refunded	N/A years
30 Enter the last date on which the refunded bonds will be called	
31 Enter the date(s) the refunded bonds were issued ►	

Part VI Miscellaneous	
32 Enter the amount of the state volume cap allocated to the issue	
33 Enter the amount of the bonds designated by the issuer under section 265(b)(3)(B)(i)(III) (small issuer exception)	
34 Pooled financings: a Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units ►	
b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ► <input checked="" type="checkbox"/> and enter the name of the issuer ► West Virginia Water Development * and the date of the issue ► 9/27/94	
35 If the issuer has elected to pay a penalty in lieu of rebate, check box	<input type="checkbox"/>

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Please Sign Here

	11/15/94	Leon Newman, Chairman
Signature of officer	Date	Type or print name and title